

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 2016 Bonds will not be includable in gross income for federal income tax purposes. Interest on the Series 2016 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 2016 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 2016 Bonds is not exempt from Illinois income taxes. See “TAX EXEMPTION” herein.



\$500,000,000

ILLINOIS FINANCE AUTHORITY

STATE OF ILLINOIS CLEAN WATER INITIATIVE REVOLVING FUND REVENUE BONDS,
SERIES 2016**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 2016 (the “Series 2016 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 by the Second Supplemental Master Trust Agreement dated as of September 1, 2016 (the “Second Supplemental Master Trust Agreement”), between the Authority and the Master Trustee. All Bonds issued under the Master Trust Agreement, including the Series 2016 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 2016 Bonds are being issued on a parity with the outstanding Series 2013 Bonds (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 2016 BONDS—Pledged Agreements”.

Proceeds from the sale of the Series 2016 Bonds will be used (i) to fund loans (including a portion of the State Match Portion described herein) 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 2016 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 2016 Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2017. The Series 2016 Bonds are subject to extraordinary mandatory and optional redemption prior to maturity, as described herein.

The Series 2016 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 2016 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 2016 Bonds only from the revenues pledged pursuant to the Master Trust Agreement. Neither the faith and credit nor the taxing powers, if any, of the Authority, IEPA, the State or any political subdivision thereof is pledged to the payment of the principal of and interest on the Series 2016 Bonds. The Authority has no taxing power.

The Series 2016 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 2016 Bonds will be issued and available for delivery through DTC on or about September 12, 2016.

BOFA MERRILL LYNCH

CITIGROUP

Jefferies
Piper Jaffray

Ramirez & Co., Inc.

Loop Capital Markets
Siebert Cisneros Shank & Co., L.L.C.

\$500,000,000
ILLINOIS FINANCE AUTHORITY
STATE OF ILLINOIS CLEAN WATER INITIATIVE REVOLVING FUND REVENUE BONDS
SERIES 2016

MATURITY SCHEDULE					
MATURITY DATE	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	PRICE	CUSIP† BASE: 45204E
July 1, 2017	\$10,560,000	5.00%	0.55%	103.558	HY7
January 1, 2018	13,125,000	4.00	0.64	104.351	JU3
July 1, 2018	14,110,000	4.00	0.68	105.937	HZ4
January 1, 2019	14,465,000	4.00	0.75	107.405	JV1
July 1, 2019	14,850,000	5.00	0.80	111.616	JA7
January 1, 2020	15,020,000	5.00	0.85	113.486	JW9
July 1, 2020	15,235,000	5.00	0.91	115.251	JB5
January 1, 2021	15,530,000	5.00	0.98	116.895	JX7
July 1, 2021	15,790,000	5.00	1.05	118.451	JC3
January 1, 2022	15,690,000	5.00	1.15	119.748	JY5
July 1, 2022	15,450,000	5.00	1.23	121.049	JD1
January 1, 2023	15,740,000	4.00	1.28	116.418	JZ2
July 1, 2023	15,950,000	5.00	1.34	123.719	JE9
January 1, 2024	17,000,000	5.00	1.45	124.513	KA5
July 1, 2024	16,840,000	5.00	1.53	125.428	JF6
January 1, 2025	16,485,000	4.00	1.61	118.503	KB3
July 1, 2025	16,200,000	4.00	1.65	119.179	JG4
January 1, 2026	15,615,000	5.00	1.70	128.281	KC1
July 1, 2026	15,615,000	4.00	1.74*	119.331*	JH2
January 1, 2027	15,590,000	5.00	1.81*	127.196*	KD9
July 1, 2027	14,795,000	5.00	1.85*	126.804*	JJ8
January 1, 2028	14,590,000	5.00	1.93*	126.025*	KE7
July 1, 2028	13,910,000	5.00	1.97*	125.637*	JK5
January 1, 2029	13,815,000	5.00	2.01*	125.251*	KF4
July 1, 2029	12,970,000	5.00	2.04*	124.962*	JL3
January 1, 2030	12,705,000	5.00	2.06*	124.770*	KG2
July 1, 2030	12,135,000	4.00	2.31*	114.071*	JM1
January 1, 2031	11,750,000	5.00	2.11*	124.291*	KH0
July 1, 2031	11,685,000	5.00	2.11*	124.291*	JN9
January 1, 2032	11,405,000	4.00	2.41*	113.177*	KJ6
July 1, 2032	11,025,000	4.00	2.41*	113.177*	JP4
January 1, 2033	9,910,000	4.00	2.46*	112.732*	KK3
July 1, 2033	8,625,000	4.00	2.46*	112.732*	JQ2
January 1, 2034	7,740,000	4.00	2.51*	112.290*	KL1
July 1, 2034	6,625,000	4.00	2.51*	112.290*	JR0
January 1, 2035	6,815,000	4.00	2.54*	112.026*	KM9
July 1, 2035	5,825,000	4.00	2.54*	112.026*	JS8
January 1, 2036	4,635,000	4.00	2.58*	111.674*	KN7
July 1, 2036	4,180,000	4.00	2.58*	111.674*	JT6

† 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 Capital IQ, a part of McGraw-Hill Financial, Inc. The CUSIP numbers listed are being provided solely for the convenience of the bondholders only at the time of issuance of the Series 2016 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 2016 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 2016 Bonds.

* Priced to the January 1, 2026 optional redemption date.

REGARDING THIS OFFICIAL STATEMENT

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Jefferies LLC, Piper Jaffray & Co., Loop Capital Markets LLC, Ramirez & Co., Inc. and Siebert Cisneros Shank & Co., L.L.C. (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 2016 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 2016 Bonds or an offer to sell or solicitation of offers to buy, nor will there be any sale of the Series 2016 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 2016 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 2016 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 2016 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

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General Counsel Elizabeth Fleming Weber
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\$500,000,000
ILLINOIS FINANCE AUTHORITY
STATE OF ILLINOIS CLEAN WATER INITIATIVE REVOLVING FUND REVENUE BONDS,
SERIES 2016

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 2016 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 \$500,000,000 State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2016 (the “*Series 2016 Bonds*”).

AUTHORITY FOR THE SERIES 2016 BONDS

The Series 2016 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 11, 2016 (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 Indenture dated as of November 1, 2013 between the Authority and the Master Trustee and by the Second Supplemental Master Trust Agreement dated as of September 1, 2016, between the Authority and the Master Trustee (the “*Second Supplemental Master Trust Agreement*”; the Master Agreement, as amended and supplemented from time to time is referred to herein as the “*Master Trust Agreement*”).

The Series 2016 Bonds are the second series of bonds issued under and secured by the Master Trust Agreement and will be secured on a parity with the currently outstanding \$87,415,000 aggregate principal amount of State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2013, of the Authority (the “*Series 2013 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 2016 Bonds, Bonds will be outstanding under the Master Trust Agreement in the aggregate principal amount of \$587,415,000 consisting of the Series 2013 Bonds and the Series 2016 Bonds. The Series 2016 Bonds, the Series 2013 Bonds and any bonds in one or more series, relating to the Clean Water Program or the Drinking Water Program, or both, issued and secured by the Master Trust Agreement are collectively referred to 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”.

PURPOSE OF BONDS

The proceeds of the Series 2016 Bonds will be used to (i) fund loans (including a portion of the State Match Portion for federal fiscal years 2015, 2016 and 2017) 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 2016 Bonds, all as more fully described herein. See “PLAN OF FINANCE” and “SOURCES AND USES OF FUNDS” herein.

A portion of the Series 2016 Bonds issued for the Clean Water Program and the Drinking Water Program will be comprised of the State Match Portion described more fully under the heading “State of Illinois SRF Programs—State Match Portion/Clean Water Program Portions and Drinking Water Program Portions”.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2016 BONDS

The Series 2016 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 2016 Bonds, the Series 2013 Bonds and any Additional Indebtedness. The Original Assignment Agreement will be 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 (the Original Assignment Agreement as so amended and restated and as hereafter supplemented, amended or restated being referred to herein as the “*Assignment Agreement*”) in order to provide for the assignment to the Authority of certain additional Agreements and the Loans made thereunder, including certain Loans that are to be financed with proceeds of the Series 2016 Bonds. All of the Agreements so assigned as described above (the “*Initial Pledged Agreements*”) will be pledged to the Master Trustee pursuant to the Master Trust Agreement to 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 2016 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 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 2016 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”.

The Series 2016 Bonds are not general obligations of the Authority but are payable on a parity basis with the Series 2013 Bonds and any Additional Indebtedness issued in the future solely from all amounts payable to the Authority pursuant to the Pledged Agreements (but excluding payments 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 2016 Bonds are secured by the Revenues, except that the State Match Portion of the Series 2016 Bonds shall not be paid from moneys derived from the repayment of principal of any Loan or Grant Proceeds. The Series 2016 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 2016 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, 2016, IEPA had made 827 loans pursuant to the Clean Water Program, and had more than 561 Clean Water Program loans outstanding (approximately \$2.397 billion). As of June 30, 2016, IEPA had made 536 loans pursuant to the Drinking Water Program, and had more than 471 Drinking Water Program loans outstanding (approximately \$755 million). These loans have been financed by federal capitalization grants, State matching funds, 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. The Initial Pledged Agreements represent approximately 70% of the aggregate principal amount of the presently 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 and the Series 2013 Bonds were 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 2015 are presented in APPENDIX B— “State of Illinois Environmental Protection Agency Financial Audit Fund 270 – Water Revolving Fund For The Year Ended June 30, 2015”.

LIMITED OBLIGATIONS

The Series 2016 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 2016 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 2016 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 2016 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.

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 State Match for the purpose of making low interest loans (“*CWSRF Loans*”) to units of local government (“*Clean Water Participants*”) to finance the construction of wastewater treatment works. IEPA operated the Clean Water Program as a direct loan program from its inception until 2002, when the Authority first issued obligations to leverage available loan funds. As of June 30, 2016, IEPA has made 827 CWSRF Loans to Clean Water Participants totaling approximately \$4.269 billion,

approximately \$2.397 billion of which are outstanding. No payment defaults have occurred with respect to any of the CWSRF Loans.

In response to the Safe Drinking Water Act, the State Act was amended in 1996 to establish the Drinking Water Program within the Water Revolving Fund. The Drinking Water Program is administered by IEPA pursuant to the State Act to accept federal capitalization grants and the required twenty percent State match for the purpose of making low interest loans (“*DWSRF Loans*” and collectively with CWSRF Loans, the “*Loans*”) to units of local government and certain private community water suppliers (“*Drinking Water Participants*” and together with Clean Water Participants, as applicable, the “*Participants*”) to finance the construction of drinking water facilities. IEPA operated the Drinking Water Program as a direct loan program from its inception until 2002, when the Authority first issued obligations to leverage available loan funds. As of June 30, 2016, IEPA has made 536 DWSRF Loans to Drinking Water Participants totaling approximately \$1.174 billion, approximately \$755 million of which are outstanding. No payment defaults have occurred with respect to any of the DWSRF Loans.

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

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

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, 2016**

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>60,428,000</u>	<u>12,085,600[§]</u>
Totals	\$1,764,756,865	\$352,951,373

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>34,690,000</u>	<u>6,938,000[§]</u>
Totals	\$625,140,160	\$138,876,280

* 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 will be 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”.

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. The LPI for projects in the Drinking Water Program is calculated as a function of existing populations served by the proposed project, project need (based on existing drinking water quality), financial hardship in the project area, steps taken by the applicant to protect source water or promote water conservation and whether the project will serve a small community. For Clean Water Program projects, the LPI is calculated by class based on the financial impact of the project and whether the project is intended to provide new wastewater collection service, expand existing capacity, upgrade or renovate existing facilities or reduce flooding. Other factors considered include existing water quality, organic load, health hazard, facilities condition and utilization, potential economic benefit and operating excellence of existing facilities.

Once a project is placed on the applicable Priority List, the potential Participant must file an application with IEPA for financial assistance for such project. The application is reviewed by IEPA to determine that the proposed project addresses the needs identified in the approved plan; compliance with regulatory and statutory requirements; project administration, which determines if the project is eligible for funding in accordance with state and federal regulations; environmental aspects; and financial

capability, which analyzes an applicant's ability to repay the Loan. IEPA determines whether, and on what terms and conditions, financial assistance will be provided.

Potential Participants must dedicate and pledge a source of revenue 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 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".

IEPA assigns to each Loan a fixed loan rate (the "Fixed Loan Rate") at the time a Loan is made to a Participant. The Fixed Loan Rate is comprised of an interest portion and a loan support portion (the "Loan Support Fees"). The Fixed Loan Rate is computed annually using the mean interest rate of the 20-Bond General Obligation Index, as published weekly by *The Bond Buyer*, from July 1 to June 30 of the preceding State fiscal year for the Clean Water Program and from October 1 to September 30 of the preceding Federal fiscal year for the Drinking Water Program, in each case, rounded to the nearest one hundredth of a percent and multiplied by 50 percent. There is no statutory maximum and no minimum Fixed Loan Rate. The Fixed Loan Rate presently is 1.75% for the Clean Water Program and 1.86% for the Drinking Water Program as timing differs between interest rate setting methods between the two programs. See "PROJECTED CASH FLOW AND DEBT SERVICE TABLE—Characteristics of Initial Pledged Agreements."

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

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

CROSS COLLATERALIZATION

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

FEDERAL AND STATE REGULATION

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

INVESTMENT POLICY

The proceeds of the Series 2016 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 2016 Bonds.

PLAN OF FINANCE

GENERAL

The proceeds of the Series 2016 Bonds shall be used to (i) fund loans (including a portion of the State Match Portion for federal fiscal years 2015, 2016 and 2017) 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 2016 Bonds. For further detail, see "SOURCES AND USES OF FUNDS".

State Match Portion. The State Match Portion of the Series 2016 Bond proceeds, along with other available funds, will meet the state match requirement of approximately \$45.4 million for the Drinking Water Program for federal fiscal years 2015, 2016 and 2017 and for the Clean Water Program for federal fiscal years 2016 and 2017. Each State Match Portion is required pursuant to federal capitalization grants to be received for the Clean Water Program and Drinking Water Program under separate Capitalization Grant Agreements (the “*Capitalization Agreements*”) in the anticipated aggregate grant amount of \$226.9 million. See “SOURCES AND USES OF FUNDS”. The portion of the proceeds of the Series 2016 Bonds used to fund new loans shall be further apportioned as (i) a State Match Portion and a Leveraged Portion for the Clean Water Program; and (ii) a State Match Portion and a Leveraged Portion for the Drinking Water Program, all of which are subject to adjustment as set forth in an Officer’s Certificate.

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 2016 Bonds (subject to adjustment as set forth in an officer’s certificate):

SOURCES OF FUNDS

Par Amount of Bonds	\$500,000,000.00
Original Issue Premium	<u>91,697,813.85</u>
Total	\$591,697,813.85

USES OF FUNDS

Loan Origination Fund	
– State Match Portion	\$ 45,394,733.34
– Leveraged Portion	543,380,060.26
Costs of Issuance (including Underwriters’ Discount)	<u>2,923,020.25</u>
Total	\$591,697,813.85

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 2016 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 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 2016 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

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 and the Series 2016 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.

PROJECTED DEBT SERVICE COVERAGE FOR THE BONDS

PAYMENT DATE	LOAN REPAYMENTS*	TOTAL SERIES 2013 BONDS DEBT SERVICE	SERIES 2016 BONDS INTEREST	SERIES 2016 BONDS PRINCIPAL	TOTAL SERIES 2016 BONDS DEBT SERVICE	TOTAL BONDS DEBT SERVICE	PROJECTED DEBT SERVICE COVERAGE RATIO
1/1/2017	\$73,828,456	\$12,261,675	\$ 6,980,057		\$ 6,980,057	\$19,241,732	3.84x
7/1/2017	78,860,106	11,919,300	11,526,700	\$10,560,000	22,086,700	34,006,000	2.32
1/1/2018	79,727,686	11,204,175	11,262,700	13,125,000	24,387,700	35,591,875	2.24
7/1/2018	81,207,781	10,565,675	11,000,200	14,110,000	25,110,200	35,675,875	2.28
1/1/2019	80,780,812	9,467,175	10,718,000	14,465,000	25,183,000	34,650,175	2.33
7/1/2019	80,710,839	8,580,425	10,428,700	14,850,000	25,278,700	33,859,125	2.38
1/1/2020	79,959,673	7,875,675	10,057,450	15,020,000	25,077,450	32,953,125	2.43
7/1/2020	79,352,341	7,003,800	9,681,950	15,235,000	24,916,950	31,920,750	2.49
1/1/2021	78,323,451	5,224,300	9,301,075	15,530,000	24,831,075	30,055,375	2.61
7/1/2021	77,203,852	3,797,175	8,912,825	15,790,000	24,702,825	28,500,000	2.71
1/1/2022	76,095,751	3,625,925	8,518,075	15,690,000	24,208,075	27,834,000	2.73
7/1/2022	74,434,886	3,448,625	8,125,825	15,450,000	23,575,825	27,024,450	2.75
1/1/2023	74,237,086	2,697,250	7,739,575	15,740,000	23,479,575	26,176,825	2.84
7/1/2023	73,855,440	1,952,625	7,424,775	15,950,000	23,374,775	25,327,400	2.92
1/1/2024	73,092,752		7,026,025	17,000,000	24,026,025	24,026,025	3.04
7/1/2024	72,113,356		6,601,025	16,840,000	23,441,025	23,441,025	3.08
1/1/2025	70,217,333		6,180,025	16,485,000	22,665,025	22,665,025	3.10
7/1/2025	68,942,537		5,850,325	16,200,000	22,050,325	22,050,325	3.13
1/1/2026	66,195,709		5,526,325	15,615,000	21,141,325	21,141,325	3.13
7/1/2026	65,709,263		5,135,950	15,615,000	20,750,950	20,750,950	3.17
1/1/2027	65,144,329		4,823,650	15,590,000	20,413,650	20,413,650	3.19
7/1/2027	62,192,266		4,433,900	14,795,000	19,228,900	19,228,900	3.23
1/1/2028	61,015,399		4,064,025	14,590,000	18,654,025	18,654,025	3.27
7/1/2028	57,966,481		3,699,275	13,910,000	17,609,275	17,609,275	3.29
1/1/2029	57,156,845		3,351,525	13,815,000	17,166,525	17,166,525	3.33
7/1/2029	53,185,719		3,006,150	12,970,000	15,976,150	15,976,150	3.33
1/1/2030	51,978,623		2,681,900	12,705,000	15,386,900	15,386,900	3.38
7/1/2030	49,264,910		2,364,275	12,135,000	14,499,275	14,499,275	3.40
1/1/2031	47,399,260		2,121,575	11,750,000	13,871,575	13,871,575	3.42
7/1/2031	46,550,227		1,827,825	11,685,000	13,512,825	13,512,825	3.44
1/1/2032	44,943,967		1,535,700	11,405,000	12,940,700	12,940,700	3.47
7/1/2032	43,125,033		1,307,600	11,025,000	12,332,600	12,332,600	3.50
1/1/2033	38,188,544		1,087,100	9,910,000	10,997,100	10,997,100	3.47
7/1/2033	33,137,345		888,900	8,625,000	9,513,900	9,513,900	3.48
1/1/2034	29,301,941		716,400	7,740,000	8,456,400	8,456,400	3.47
7/1/2034	24,999,375		561,600	6,625,000	7,186,600	7,186,600	3.48
1/1/2035	25,455,076		429,100	6,815,000	7,244,100	7,244,100	3.51
7/1/2035	21,338,759		292,800	5,825,000	6,117,800	6,117,800	3.49
1/1/2036	16,380,527		176,300	4,635,000	4,811,300	4,811,300	3.40
7/1/2036	14,362,779		83,600	4,180,000	4,263,600	4,263,600	3.37

* Loan Repayments on the Initial Pledged Agreements. Loan Repayments do not include 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.

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 2016 Bonds to secure payment of the Bonds. On the date of issuance of the Series 2016 Bonds, it is expected that the Initial Pledged Agreements will consist of 851 Loans with an aggregate outstanding principal amount of \$2,188,418,080, generally described as follows:

	LOANS OUTSTANDING UNDER INITIAL PLEDGED AGREEMENTS
Number of Discrete Borrowers	445
Average Outstanding Balance	\$4,917,473
Interest Rate Range*	1.25% to 3.36%
Interest Rate Range (Net of Loan Support Fees)	0.625% to 1.68%
Loan Maturity Range	1 year to 24 years
Security for Loans (calculated on aggregate principal amount of Loans outstanding):	
Water/Wastewater Revenues	73.0%
Property Tax (General Obligation Debt)	27.0%
Sales Tax or other	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 Initial Pledged Agreements as of the date of issuance of the Series 2016 Bonds comprise 48.75% of the total outstanding balance of all Loans made under Agreements that are part of the Initial Pledged Agreements. On the date of issuance of the Series 2016 Bonds, the Metropolitan Water Reclamation District of Greater Chicago (“MWRD”) will be the only Participant to have Loans disbursed under Initial Pledged 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.” The obligations of MWRD to IEPA under its Initial Pledged Agreements are primarily general obligations secured by property taxes levied by MWRD.

As of the date of issuance of the Series 2016 Bonds, the Initial Pledged Agreements do not include (i) any loans with 0% interest rates; (ii) any Agreement which has been previously restructured; (iii) any Agreement which has made a payment more than 15 days after its payment date; (iv) except as described in the preceding paragraph, any Agreement which results in a pledged concentration of more than 20% by any one borrower; and (v) any Agreement with respect to which the IEPA has received notice of prepayment.

Certain proceeds of the Series 2016 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 and Additional Indebtedness.

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

THE SERIES 2016 BONDS

GENERAL

The Series 2016 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 2016 Bonds will be dated the date of delivery. The Series 2016 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 2016 Bond shall bear interest from the date of delivery of the Series 2016 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, 2017 (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 2016 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 2016 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 subject to the TIPRA requirements described above and 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.

(a) *Extraordinary Mandatory Redemption.* The following extraordinary mandatory redemption provisions implement the TIPRA requirements for the Series 2016 Bonds:

One-Year Extraordinary Mandatory Redemption. The Series 2016 Bonds are subject to extraordinary mandatory redemption prior to their scheduled maturities, on December 1, 2017 (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 2016 Bonds), expressed as percentages of the principal amount of each maturity of the Series 2016 Bonds so redeemed, plus accrued interest to the One Year Extraordinary Mandatory Redemption Date.

MATURITY DATE	INTEREST RATE	CUSIP BASE: 45204E	REDEMPTION PRICE
January 1, 2018	4.00%	JU3	102.284%
July 1, 2018	4.00	HZ4	103.968
January 1, 2019	4.00	JV1	105.569
July 1, 2019	5.00	JA7	108.726
January 1, 2020	5.00	JW9	110.721
July 1, 2020	5.00	JB5	112.626
January 1, 2021	5.00	JX7	114.423
July 1, 2021	5.00	JC3	116.131
January 1, 2022	5.00	JY5	117.619
July 1, 2022	5.00	JD1	119.085
January 1, 2023	4.00	JZ2	115.611
July 1, 2023	5.00	JE9	122.016
January 1, 2024	5.00	KA5	123.010
July 1, 2024	5.00	JF6	124.084
January 1, 2025	4.00	KB3	118.256
July 1, 2025	4.00	JG4	119.019
January 1, 2026	5.00	KC1	127.319
July 1, 2026	4.00	JH2	119.310
January 1, 2027	5.00	KD9	126.364
July 1, 2027	5.00	JJ8	126.018
January 1, 2028	5.00	KE7	125.330
July 1, 2028	5.00	JK5	124.988
January 1, 2029	5.00	KF4	124.647
July 1, 2029	5.00	JL3	124.392
January 1, 2030	5.00	KG2	124.223
July 1, 2030	4.00	JM1	114.642
January 1, 2031	5.00	KH0	123.799
July 1, 2031	5.00	JN9	123.799
January 1, 2032	4.00	KJ6	113.845
July 1, 2032	4.00	JP4	113.845
January 1, 2033	4.00	KK3	113.448
July 1, 2033	4.00	JQ2	113.448
January 1, 2034	4.00	KL1	113.054
July 1, 2034	4.00	JR0	113.054
January 1, 2035	4.00	KM9	112.818
July 1, 2035	4.00	JS8	112.818
January 1, 2036	4.00	KN7	112.505
July 1, 2036	4.00	JT6	112.505

“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 2016 Bonds and deposited into the 2016 Subaccounts of the Loan Origination Fund) less the aggregate amount withdrawn from the 2016 Subaccounts of the Loan Origination Fund by September 12, 2017.

Three-Year Extraordinary Mandatory Redemption. The Series 2016 Bonds maturing on and after January 1, 2020, are subject to extraordinary mandatory redemption prior to their scheduled maturities, on December 2, 2019 (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 2016 Bonds), expressed as percentages of the principal amount of each maturity of the Series 2016 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, 2020	5.00%	JW9	102.339%
July 1, 2020	5.00	JB5	104.409
January 1, 2021	5.00	JX7	106.395
July 1, 2021	5.00	JC3	108.297
January 1, 2022	5.00	JY5	110.049
July 1, 2022	5.00	JD1	111.737
January 1, 2023	4.00	JZ2	110.353
July 1, 2023	5.00	JE9	115.007
January 1, 2024	5.00	KA5	116.295
July 1, 2024	5.00	JF6	117.598
January 1, 2025	4.00	KB3	113.845
July 1, 2025	4.00	JG4	114.728
January 1, 2026	5.00	KC1	121.365
July 1, 2026	4.00	JH2	115.245
January 1, 2027	5.00	KD9	120.653
July 1, 2027	5.00	JJ8	120.396
January 1, 2028	5.00	KE7	119.883
July 1, 2028	5.00	JK5	119.627
January 1, 2029	5.00	KF4	119.372
July 1, 2029	5.00	JL3	119.181
January 1, 2030	5.00	KG2	119.054
July 1, 2030	4.00	JM1	111.725
January 1, 2031	5.00	KH0	118.737
July 1, 2031	5.00	JN9	118.737
January 1, 2032	4.00	KJ6	111.120
July 1, 2032	4.00	JP4	111.120
January 1, 2033	4.00	KK3	110.819
July 1, 2033	4.00	JQ2	110.819
January 1, 2034	4.00	KL1	110.519
July 1, 2034	4.00	JR0	110.519
January 1, 2035	4.00	KM9	110.340
July 1, 2035	4.00	JS8	110.340
January 1, 2036	4.00	KN7	110.101
July 1, 2036	4.00	JT6	110.101

“*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 2016 Bonds and deposited into the 2016 Subaccounts of the Loan Origination Fund), less the aggregate amount withdrawn from the 2016 Subaccounts of the Loan Origination Fund by September 12, 2019.

The Series 2016 Bonds will not be subject to further extraordinary mandatory redemption following the Three-Year Extraordinary Mandatory Redemption Date.

The foregoing notwithstanding, the Series 2016 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 2016 Bonds from gross income for federal income tax purposes.

For purposes of the One-Year and Three-Year Extraordinary Mandatory Redemption of Series 2016 Bonds, the Series 2016 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 2016 Bonds in inverse order of maturity. The term “Pro-Rata Basis” means that the principal amount of Series 2016 Bonds of a particular maturity shall be determined by multiplying the applicable Computation Amount by the ratio which the principal amount of Series 2016 Bonds of such maturity then outstanding bears to the aggregate principal amount of Series 2016 Bonds then outstanding and subject to redemption.

The Redemption Price with respect to the extraordinary mandatory redemption of any Series 2016 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 2016 Bonds maturing on or after July 1, 2026 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, 2026, at the Redemption Price of par plus accrued interest thereon to the date fixed for redemption.

(c) *Selection of Series 2016 Bonds.* If less than all of the Series 2016 Bonds of like maturity are to be redeemed, the particular Bonds or portions of Bonds to be redeemed shall be selected by the Authority, in the principal amount designated to the Master Trustee by the Authority, or otherwise as required by the Second 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 2016 Bonds of a single maturity, such redemption shall be by lot in such manner as the Master Trustee may determine among such Series 2016 Bonds. In selecting Series 2016 Bonds for redemption, the Master Trustee shall treat each such Series 2016 Bond as representing that number of Series 2016 Bonds which is obtained by dividing the principal amount of such Series 2016 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.

(d) *Notice of Redemption.* When any Series 2016 Bonds, or portions thereof, are to be redeemed, the Master Trustee shall give notice of the redemption of the Series 2016 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 2016 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 2016 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 2016 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 2016 Bonds of any particular maturity in lieu of redemption of such Bonds. Such purchases shall be made at any time prior to the giving of notice of redemption to bondholders by the Master Trustee; *provided, however*, that the Authority may not purchase nor direct the Master Trustee to purchase the State Match Portion of the Series 2016 Bonds from moneys derived from the repayment of principal of any Loan or Grant Proceeds.

Notwithstanding the preceding paragraph, the Authority will not redeem, purchase or direct the purchase or redemption by the Master Trustee of any Series 2016 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 2016 BONDS

In the event any Series 2016 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 2016 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 2016 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 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 2016 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 2016 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 2016 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 2016 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 2016 Bonds until such Bonds are fully paid and discharged or provision for their payment has been made.

PLEDGED AGREEMENTS

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

Each Agreement specifies a date as of which the Project is required to initiate operation (the "*Initiation of Operation Date*"). Amortization of each Loan is required to begin no later than one year from the earlier of the Initiation of Operation Date or the date identified in the Agreement as the initiation of loan repayment date (the "*Initiation of Loan Repayment Date*"). The final maturity of each Loan is not later than twenty years from the earlier of the Initiation of Operation Date or the Initiation of Loan

Repayment Date. Each Agreement permits prepayment of all or a portion of the balance of the Loan, at any time, without premium. The Agreements may be withdrawn and released from the pledge upon the satisfaction of certain tests. See “SECURITY AND SOURCE OF PAYMENT FOR THE 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 2016 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 are 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. The aggregate principal amount of the Initial Pledged Agreements expected to be outstanding as of the date of delivery of the Series 2016 Bonds is \$2,188,418,080.

Following the issuance of the Series 2016 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 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 2016 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”, 73.0% of the aggregate principal amount of the Initial Pledged Agreements are secured by revenues of the water and/or wastewater system of the related Participant and 27.0% of the aggregate principal amount are secured by the general obligation of the related Participant.

IEPA may require a separate reserve for any subordinate revenue loans to a 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.

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 (i) the applicant is financially capable, (ii) has pledged a dedicated source of revenue that is adequate to retire the debt and meet any covenants and requirements in the loan agreement, and (iii) has established a water use and water revenue system, where applicable, that will generate adequate revenues to repay the loan and accommodate costs for operation, maintenance and replacement of the facilities to be constructed. To date, there have been no payment defaults by a Participant on 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 will grant a security interest in the Master Trust Estate to the Master Trustee.

The Master Trust Estate consists of:

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

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

NO ACCELERATION

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

The Authority may not incur Additional Indebtedness on a parity with the Series 2013 Bonds and the Series 2016 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 and by the Second Amendment to Memorandum of Agreement dated as of September 1, 2016, 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 Debt Asset Coverage Ratio for each subsequent Bond Year is not less than 1.20:1.00, taking into account the proposed transfer from the Equity Fund. 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.

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

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

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

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

THE PARTICIPANTS

Each of the Participants for the Pledged Agreements 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 2016 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*”). As a result, MWRD will be 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 will deliver 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 2016 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 22, 2016 its Continuing Disclosure Report for Year 2015 (the “2015 MWRD Report”). On the date of issuance of the Series 2016 Bonds, MWRD will execute and deliver to the Authority a Continuing Disclosure Undertaking in substantially the form contained in APPENDIX E in which MWRD will agree 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 2015 MWRD Report. Continuing disclosure information with respect to MWRD can be found on EMMA at the base CUSIP number for MWRD, which is 167560.

IEPA

Purpose. The mission of IEPA is to “safeguard environmental quality consistent with the social and economic needs of the State, so as to protect health, welfare, property and the quality of life”. IEPA

operates under the auspices of the State Act and several other state statutes. Under State law, IEPA is designated as the primary operations agency for purposes of the major federal environmental protection programs. Statutory authority is granted for policy and regulatory development, planning and monitoring, permitting, inspections and enforcement, remedial actions, emergency management, and environmental infrastructure assistance.

IEPA has entered into separate Capitalization Grant Agreements with the 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’s appointment is subject to confirmation by the Illinois Senate and, pending such confirmation, he is serving as Acting Director of the IEPA. 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.

Ryan McCreery has been the Deputy Director of the IEPA since February, 2015. He previously served as the Manager of Public Affairs and Government Relations for Kinder Morgan Energy Partners, L.P. At Kinder Morgan, he was responsible for managing comprehensive public affairs, public relations and community outreach programs for major energy infrastructure projects. He has more than 15 years of experience in government, public affairs and public relations at the local, state, and national levels. He earned his bachelor’s degree from Illinois Wesleyan University.

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 25 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.

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. Presently, fifteen members have been duly appointed and no vacancies exist. 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 2016 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 2016 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 2016 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 such 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; and

(i) Provide quarterly reports to the Authority and any other information necessary for the Authority to determine and ensure compliance of the Bonds with any extraordinary mandatory redemption requirements as a result of Federal tax rules.

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

(a) Coordinate with IEPA as to the timing, structure and level of revenue bond issuance necessary to fund loan obligations on a timely basis and coordinate the drafting of all documents relating to the issuance and sale of revenue bonds or notes;

(b) Engage a rebate calculation agent to prepare all arbitrage rebate calculations required by federal tax law, and to assure that all required payments are timely paid, all in accordance with federal law and the bond documents in connection with bonds issued by the Authority under this Agreement;

(c) If Pledged Agreements are requested to be substituted by IEPA and other loans are pledged of an equivalent value (“*substituted loans*”), or if a Pledged Agreement is repaid by the loan recipient (“*repaid loans*”), and the Master Trustee returns substituted loans or repaid loans under the Master Trust Agreement, the Authority shall take any and all action under the Master Trust Agreement for the release of the substituted loans or repaid loans from a Master Trust Agreement to IEPA using such forms for the Authority’s consent and IEPA’s certification in connection with such loan substitution as the Authority may designate;

(d) 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 2016 Bonds should be aware that there are certain investment considerations associated with the Series 2016 Bonds. Each prospective purchaser of the Series 2016 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 2016 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 2016 Bonds.

LIMITED OBLIGATIONS

The Series 2016 Bonds are limited obligations of the Authority payable on a parity basis with the Series 2013 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 2016 Bonds and to the extent set forth in the Master Trust Agreement. The Series 2016 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 2016 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 2016 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 2016 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 2016 Bonds. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2016 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 2016 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 2016 Bonds, to an extent that cannot be determined at this time:

- Adoption of legislation or implementation of regulations that would modify the Clean Water Program and the Drinking Water Program.
- Reduced demand for the services of the Participants that might result from decreases in population.
- Insolvency of a Participant.
- The occurrence of a natural or man-made disaster, a pandemic or an epidemic that could damage the facilities of a Participant, and the generation of revenues from such facilities.
- As discussed under “TAX EXEMPTION” herein, interest on the Series 2016 Bonds could become includible in gross income for purposes of federal income taxation, retroactive to the date the Series 2016 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 2016 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 2016 Bonds or questions or affects the validity of the Series 2016 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 2016 Bonds or questioning or affecting the validity of the Series 2016 Bonds or the proceedings and authority under which the Series 2016 Bonds are to be issued, or the pledge or application of any moneys or security provided for the payment of the Series 2016 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 2016 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 2016 Bonds, will be delivered to the Authority at the time of original delivery of the Series 2016 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-counsel, 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 2016 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 2016 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 2016 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 2016 Bonds is not exempt from Illinois income taxes.

BOND PREMIUM

The difference between the initial price at which a substantial amount of each maturity of the Series 2016 Bonds is sold to the public (the “*Offering Price*”) and the principal amount payable at maturity of such Series 2016 Bonds is given special treatment for Federal income tax purposes. To the extent that the Offering Price is higher than the maturity value of a Series 2016 Bond, the difference between the two is known as “bond premium.”

Bond premium is amortized over the term of a Series 2016 Bond on the basis of the Series 2016 Bonds yield from the date of purchase to the date of maturity or optional redemption, as appropriate, 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 2016 Bond. A Series 2016 Bond’s 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 2016 Bond (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of the Series 2016 Bond).

Owners who purchase Series 2016 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 2016 Bonds. In addition, owners of Series 2016 Bonds should consult their tax advisors with respect to the state and local tax consequences of owning the Series 2016 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 2016 Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Series 2016 Bonds. These requirements relate to the use and investment of the proceeds of the Series 2016 Bonds, the payment of certain amounts to the United States, the security and source of payment of the Series 2016 Bonds and the use of the property financed with the proceeds of the Series 2016 Bonds. Among these specific requirements are the following:

(a) *Investment Restrictions.* Except during certain “temporary periods,” proceeds of the Series 2016 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 2016 Bonds.

(b) *Rebate of Permissible Arbitrage Earnings.* Unless the Series 2016 Bonds qualify for an exception, earnings from the investment of the “gross proceeds” of the Series 2016 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 2016 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 2016 Bonds, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Series 2016 Bonds.

(c) *Limitations on Private Use.* The Code includes limitations on the amount of Series 2016 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 2016 Bonds.

RISK OF NON COMPLIANCE

In the event that the Authority fails to comply with the requirements of the Code, interest on the Series 2016 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 2016 Bonds or payment of any additional interest or penalties to the owners of the Series 2016 Bonds.

FEDERAL INCOME TAX CONSEQUENCES

Pursuant to Section 103 of the Code, interest on the Series 2016 Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the Series 2016 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 2016 BONDS.

(a) *Cost of Carry.* Owners of the Series 2016 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 2016 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 2016 Bonds.

(b) *Corporate Owners.* Interest on the Series 2016 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 2016 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 2016 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 2016 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 2016 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 2016 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 2016 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 2016 Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Series 2016 Bonds.

Interest on the Series 2016 Bonds is not exempt from present State of Illinois income taxes. Ownership of the Series 2016 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 2016 Bonds. Prospective purchasers of the Series 2016 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 2016 Bonds described in this Official Statement at an aggregate purchase price of \$589,797,043.60 reflecting an original issue premium of \$91,697,813.85 and an Underwriters' discount of \$1,900,770.25, and to reoffer such Bonds at the public offering prices set forth on the inside cover page hereof. The Series 2016 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 2016 Bonds. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all such Series 2016 Bonds if any Series 2016 Bonds are purchased.

The Underwriters have designated Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Representative of the Underwriters of the Series 2016 Bonds. The Representative reserves the right to join with dealers and other underwriters in offering the Series 2016 Bonds to the public. The obligation of the Underwriters to accept delivery of the Series 2016 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 2016 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 2016 Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. (“TMC”) and UBS Financial Services Inc. (“UBSFS”). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Series 2016 Bonds.

Jefferies LLC has entered into an agreement (the “*Jefferies Distribution Agreement*”) with E*TRADE Securities LLC (“E*TRADE”) for the retail distribution of municipal securities. Pursuant to the Jefferies Distribution Agreement, Jefferies LLC will sell Series 2016 Bonds to E*TRADE and will share a portion of its selling concession compensation with E*TRADE.

Loop Capital Markets LLC, one of the Underwriters of the Series 2016 Bonds, has entered into a distribution agreement (the “*Loop Distribution Agreement*”) with Deutsche Bank Securities Inc. (“DBS”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Loop Distribution Agreement (if applicable to this transaction), DBS will purchase Series 2016 Bonds from Loop Capital Markets LLC at the original issue prices less a negotiated portion of the selling concession applicable to any Series 2016 Bonds that such firm sells.

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 2016 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. The Financial Advisors’ fees for services rendered with respect to the sale of the Series 2016 Bonds is contingent upon the issuance and delivery of the Series 2016 Bonds.

RELATIONSHIPS AMONG THE PARTIES

In other transactions or pursuant to other programs of the Authority not related to the Series 2016 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 2016 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 2016 Bonds or with proceeds of other bonds. Potential purchasers of the Series 2016 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 2016 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 2016 Bonds the ratings of “AAA” (Stable Outlook) and “AAA” (Stable Outlook), respectively. No application was made to any other rating service for the purpose of obtaining additional ratings for the Series 2016 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 2016 Bonds, and the ratings and the Series 2016 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 2016 Bonds any proposed revision or withdrawal of the ratings of the Series 2016 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 2016 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 2016 Bonds.

IEPA CERTIFICATE WITH RESPECT TO OFFICIAL STATEMENT

At the time of the original delivery of and payment for the Series 2016 Bonds, IEPA will deliver a certificate of the Acting 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 Acting 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 2016 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 2016 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 2016 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 2016 Bonds, MWRD will (i) be the only Participant deemed to be an Obligated Participant based upon the Participant Criteria for Continuing Disclosure and (ii) deliver to the Authority an executed undertaking substantially in the form of APPENDIX E—“FORM OF OBLIGATED PARTICIPANT CONTINUING DISCLOSURE AGREEMENT”, all 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, additional information that was required to be disclosed, related to Obligated Participant data, was not provided for the only Obligated Participant which satisfied the Participant Criteria for Continuing Disclosure during the last five years. The Authority has since filed all of the financial information and operating data for such Obligated Participant and has filed disclosure regarding such prior failures on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system. In addition, the Authority has instituted procedures (as summarized in the MOA) for the timely filing of all financial information and operating data as may be required of any Obligated Participant in connection with the Series 2016 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 2016 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 2016 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2016 Bonds and their market price.

MISCELLANEOUS

All references to statutes, the Series 2016 Bonds, the Second 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 2016 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

Acting Director

ILLINOIS FINANCE AUTHORITY

By: /s/ Christopher B. Meister

Executive Director

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 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 Agreement¹.

“*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.

¹ In the case of the Series 2016 Bonds, the Authorized Denomination is \$5,000 or any integral multiple thereof.

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

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

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

“*Bond Registrar*” means the Master Trustee.

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

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

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

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

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

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

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

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

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

“*Credit Enhancement*” means with respect to any Bonds, any insurance policy, surety bond, letter of credit, line of credit or other form of credit enhancement issued by a bank, trust company, national banking association, insurance company or other credit provider in favor of the Bondowners of

such Bonds for the purpose of providing a source of funds for the payment of all or a portion of the Bonds secured by such credit enhancement.

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

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

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

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

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

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

(c) For purposes of computing the principal and interest due on any Balloon Indebtedness, Put Indebtedness or short-term obligations, including but not limited to bond anticipation notes, the Authority shall assume that the principal on such obligations is amortized on a substantially level debt service basis over a term of not more than thirty years, with interest on such amounts calculated at a rate or rates, as applicable, equal to the then applicable rates for comparable maturities of municipal bonds of comparable credit rating as set forth in a nationally recognized municipal market publication, including, without limitation, interest rate scales

published by Municipal Market Data, a divisions of Thomson Reuters, any successor or any other similar nationally recognized service, plus 1.00%.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“LIBOR” shall mean the interest rate per annum which appears on the Bloomberg Page BBAM1 (or on such other substitute Bloomberg page that displays rates at which US dollar deposits are offered by leading banks in the London interbank deposit market), or the rate which is quoted by another source selected by the Bank which has been approved by the British Bankers’ Association as an authorized information vendor for the purpose of displaying rates at which US dollar deposits are offered by leading banks in the London interbank deposit market (an *“Alternate Source”*), at approximately 11:00 a.m., London time, as the one (1) month London interbank offered rate for 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 ORIGINATION FUND” below.

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

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

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

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

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

“*Memorandum of Agreement*” means the Memorandum of Agreement dated as of November 1, 2013 by and between the Authority and the IEPA, as amended by the First Amendment to Memorandum of Agreement dated as of June 30, 2014 and by the Second Amendment to Memorandum of Agreement dated as of September 1, 2016, 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 disbursement 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.

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

BOND FUND

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

(b) There shall be deposited into the applicable Leveraged Portion Subaccounts of the Bond Fund all accrued interest received, if any, at the time of the issuance and delivery of the Leveraged CWSRF Portion and the Leveraged DWSRF Portion of the Bonds. In addition, there shall be deposited into the Leveraged Portion Subaccount of the Bond Fund, on each Interest Payment Date, an amount which when aggregated shall be sufficient to pay the principal of the Leveraged CWSRF Portion and the

Leveraged DWSRF Portion of the Bonds due on such Interest Payment Date, including the sinking fund installments due on such date, plus the interest due on such Interest Payment Date on the Leveraged CWSRF Portion and the Leveraged DWSRF Portion of the Bonds Outstanding, from the following sources and in the following order of priority: (i) moneys on deposit in the applicable Principal Subaccounts of the Revenue Fund, (ii) moneys on deposit in the applicable Interest Subaccounts of the Revenue Fund (it being the intent that the Leveraged Portion Subaccount of the Bond Fund receive these moneys only after the State Match Portion Subaccounts of the Bond Fund have received sufficient funds to meet their debt service payment requirements), and (iii) moneys on deposit in the Equity Fund.

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

(d) The transfers described under this heading ensure that no moneys representing the repayment of principal of any Loans or Grant Proceeds shall be used for the payment of the State Match Portions of the Bonds. The Authority covenants and agrees that, should there be a default under the Pledged Agreements, the Authority shall fully cooperate with the Master Trustee and with the Bondholders to fully protect the rights and security of the Bondholders and shall diligently proceed in good faith and use its best efforts so that at all times sufficient amounts will be available to promptly meet and pay the principal of and interest on the Bonds as the same become due and payable. Nothing in the Master Trust Agreement shall be construed as requiring the Authority to use any funds or Revenues from any source other than amounts pledged under the Master Trust Agreement.

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

EQUITY FUND

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

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

Agreements funded from moneys and assets of the SRF Program, *provided* that the related Agreements will become Pledged Agreements.

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

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

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

REBATE FUND

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

STATE REVOLVING FUNDS

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

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

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

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

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

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

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

CROSS-COLLATERALIZATION OF THE DRINKING WATER ACCOUNTS AND CLEAN WATER ACCOUNTS;
PAYMENT OF DEBT SERVICE

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

SOURCE OF PAYMENT OF BONDS

The Bonds and all debt service payments by the Authority under the Master Trust Agreement are not general obligations of the Authority but are limited obligations payable solely from Revenues and other amounts pledged thereunder. As authorized by the Act and as further provided in the Master Trust Agreement, the Bonds are secured by said Revenues, except that, as described under the heading

“LEVERAGED AND STATE MATCH PORTIONS” above, the State Match Portions of the Bonds will not be paid from moneys derived from the repayment of Principal of any Loan or Grant Proceeds. The Bonds shall never constitute an indebtedness of the Authority within the meaning of any constitutional provision or statutory limitation and shall not constitute nor give rise to a pecuniary liability of the Authority or a charge against its general credit.

PAYMENT OF PRINCIPAL, PREMIUM, IF ANY, AND INTEREST

The Authority covenants that it will promptly pay the principal of, premium, if any, and interest on every Bond issued under the Master Trust Agreement at the place, on the dates and in the manner provided in the Master Trust Agreement and in said Bonds according to the true intent and meaning thereof, but solely from amounts pledged therefor as described under the heading “PLEDGE OF TRUST ESTATE” above, other than the Loan Support Fee Subaccount of the Revenue Fund and the Rebate Fund, and nothing in the Bonds or in the Master Trust Agreement shall be construed as pledging any other funds or assets of the Authority. Neither the State nor the Authority nor any political subdivision of the State shall in any event be liable for the payment of the principal of, premium, if any, or interest in any of the Bonds except to the extent of the pledge contained in the Master Trust Agreement. The Authority covenants that it will defend its right to the payment of amounts due under the Pledged Agreements, for the benefit of the holders and owners of the Bonds against the claims and demands of all persons whomsoever.

RECORDING AND FILING

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

INSPECTION OF BOOKS

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

LIST OF BONDHOLDERS

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

RIGHTS UNDER PLEDGED AGREEMENTS

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

TAX COVENANTS OF THE AUTHORITY

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

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

PLEDGED AGREEMENTS

The Authority may at any time release specified Pledged Agreements from the lien of the Master Trust Agreement, or substitute and add new Pledged Agreements to the lien of the Master Trust Agreement, in each case by preparing and filing with the Master Trustee and each Rating Agency then maintaining a rating on the Bonds, an Officer’s Certificate (i) describing the specific Pledged Agreements to be released or, if applicable, substituted therefore or added thereto, and the extent to which the Officer’s Certificate described under the heading “CONDITIONS TO SECURING BONDS UNDER MASTER TRUST AGREEMENT” above should be deemed modified as a result of such release, substitution or addition; (ii) stating, on the basis of such supporting schedules as shall be attached, that after the release of any such Pledged Agreements from the lien of the Master Trust Agreement, and taking into account the principal and interest payment which the Authority reasonably expects will be received under the Pledged Agreements, if any, which are to be substituted therefore or added thereto upon the release and the other Revenues available for the payment of the principal of and interest on the Bonds, the resulting Revenues

are reasonably expected to be sufficient to pay the State Match CWSRF Portion, State Match DWSRF Portion, Leveraged CWSRF Portion and Leveraged DWSRF Portion of the principal of and interest due on the Bonds on each Interest Payment Date and at maturity thereof; and (iii) stating that the Projected 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.

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APPENDIX B

**STATE OF ILLINOIS ENVIRONMENTAL PROTECTION AGENCY
FINANCIAL AUDIT
FUND 270 – WATER REVOLVING FUND
FOR THE YEAR ENDED JUNE 30, 2015**

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

FINANCIAL AUDIT
For the Year Ended June 30, 2015

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

STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
FUND 270 – WATER REVOLVING FUND
FINANCIAL AUDIT
For the Year Ended June 30, 2015

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STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
FUND 270 – WATER REVOLVING FUND
FINANCIAL AUDIT
For the Year Ended June 30, 2015

AGENCY OFFICIALS

Director	Lisa Bonnett
Deputy Director	Ryan McCreery
Chief Legal Counsel	John J. Kim
Chief Financial Officer	Carol Radwine
Chief Internal Auditor	Rusti Cummings

Agency Headquarter offices are 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, 2015

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying individual nonshared proprietary financial statements of the Water Revolving Fund of the State of Illinois, Environmental Protection Agency (Agency) was performed by Crowe Horwath, LLP.

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

SUMMARY OF FINDINGS

The auditors did not identify matters involving the Agency's internal controls over financial reporting.

INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the Water Revolving Fund of the State of Illinois, Environmental Protection Agency (the Fund), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Fund's 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 Fund, as of June 30, 2015, and the changes in its 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 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, 2015, 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.

As discussed in Note 13 to the financial statements, in June 2012 the GASB issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." Also, in November 2013 the GASB issued GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." Statements 68 and 71 are effective for the Agency's fiscal year ending June 30, 2015. These Statements replace the requirements of Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and Statement No. 50, "Pension Disclosures." Statements 68 and 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identified the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information requirements about pensions are also addressed. As a result, net position was restated as of July 1, 2014, for the cumulative effect of the application of this pronouncement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis, schedule of the Fund's proportionate share of the net pension liability and schedule of employer contributions 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Fund. 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 December 18, 2015 on our consideration of the Fund's internal control over financial reporting 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 Fund's internal control over financial reporting and 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 Agency management and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Oak Brook, Illinois
December 18, 2015

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

STATEMENT OF NET POSITION

**June 30, 2015
(amounts in \$000's)**

	Water Revolving Fund (270 Fund)
ASSETS	
Current assets	
Cash and cash equivalents	\$ 269,117
Securities lending collateral equity with State Treasurer	132,000
Loans and notes receivable	64,551
Other receivables	10,150
Due from federal government	55,904
Due from component unit	6,398
Restricted assets - accrued interest receivable	4,108
Restricted assets - loans receivable	110,026
Total current assets	652,254
Noncurrent assets	
Loans and notes receivable, net of current portion	1,055,954
Restricted assets - loans receivable	1,480,810
Capital assets, net of accumulated depreciation	67
Total noncurrent assets	2,536,831
TOTAL ASSETS	3,189,085
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on pension liability	13,521
Deferred amount on refunding of long-term obligation	1,145
Total deferred outflows of resources	14,666
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	3,203,751
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	124
Due to component units	134
Due to federal governments	192
Due to local governments	11
Due to other funds	217
Obligations under securities lending of State Treasurer	132,000
Compensated absences	52
Leases payable	8
Total current liabilities	132,738
Noncurrent liabilities	
Long-term obligations	53,872
Compensated absences	1,438
Net pension liability	62,690
Leases payable	18
Total noncurrent liabilities	118,018
TOTAL LIABILITIES	250,756
DEFERRED INFLOWS OF RESOURCES	
Deferred amount on pension liability	2,235
Deferred amount on refunding of long-term obligation	378
Total deferred inflows of resources	2,613
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	253,369
NET POSITION	
Net investment in capital assets	41
Restricted for	
Debt service	1,595,711
Other purposes	1,374,700
Unrestricted	(20,070)
TOTAL NET POSITION	\$ 2,950,382

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, 2015
(amounts in \$000's)**

	Water Revolving Fund (270 Fund)
OPERATING REVENUES	
Interest income on loans - unpledged	\$ 30,750
Interest income on loans - pledged	15,818
Total operating revenues	46,568
OPERATING EXPENSES	
General and administrative	26,559
Principal forgiveness	14,817
Depreciation	18
Total operating expenses	41,394
OPERATING INCOME	5,174
NONOPERATING REVENUES	
Interest and investment income	1,542
Federal government	140,593
Total nonoperating revenues	142,135
NONOPERATING EXPENSES	
Interest	2,486
Total nonoperating expenses	2,486
CHANGE IN NET POSITION	144,823
NET POSITION, BEGINNING OF YEAR	
As originally reported	2,853,588
Prior period adjustment	(48,029)
As restated	2,805,559
NET POSITION, END OF YEAR	\$ 2,950,382

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, 2015
(amounts in \$000's)

	<u>Water Revolving Fund (270 Fund)</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash payments to employees for services	\$ (16,405)
Other payments	(5,999)
Net cash used in operating activities	<u>(22,404)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating grants received	140,896
Interest and principal paid on borrowing	(13,647)
Arbitrage paid	(342)
Net cash provided by noncapital financing activities	<u>126,907</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(1)
Net cash used in capital and related financing activities	<u>(1)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and investment income	43,393
Deposited with Illinois Finance Authority	47,884
Loans disbursed to governmental units	(425,522)
Loans repaid by governmental units	191,302
Net cash used in investing activities	<u>(142,943)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(38,441)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>307,558</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 269,117</u>
Reconciliation of operating income to net cash used in operating activities	
Operating income	\$ 5,174
Adjustments to reconcile operating income to net cash used in operating activities	
Depreciation expense	18
Principal forgiveness	14,817
In-kind expense	255
Interest income	(46,568)
Net pension expense	3,375
Change in assets and liabilities	
Increase in accounts payable and accrued liabilities	102
Increase in due to component units	89
Increase in intergovernmental payables	190
Increase in due to other funds	202
Decrease in compensated absences	(58)
Net cash used in operating activities	<u>\$ (22,404)</u>
Noncash financing activity	
Capital asset acquisition financed by capital lease	<u>\$ 27</u>

See accompanying notes to financial statements

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

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015
(amounts in \$000's)**

1. Description of Funds

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

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

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

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

2. Summary of Significant Accounting Policies

The financial statements of the individual nonshared proprietary fund (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 FINANCIAL STATEMENTS
For the Year Ended June 30, 2015
(amounts in \$000's)**

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.

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, 2015, 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 FINANCIAL STATEMENTS
For the Year Ended June 30, 2015
(amounts in \$000's)**

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 FINANCIAL STATEMENTS
For the Year Ended June 30, 2015
(amounts in \$000's)**

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/expenditure) 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 January 1, 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 FINANCIAL STATEMENTS
For the Year Ended June 30, 2015
(amounts in \$000's)**

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 FINANCIAL STATEMENTS
For the Year Ended June 30, 2015
(amounts in \$000's)**

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 ending June 30, 2015, the Agency adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, expenses, and expenditures. The statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The implementation of this Statement significantly impacted the Water Revolving Fund’s financial statements and footnote disclosures with the recognition of a net pension liability, deferred outflows of resources and deferred inflows of resources on the Statement of Net Position and pension expense on the Statement of Activities. Additionally, the requirements of this statement resulted in the restatement of beginning net position of \$48,029. Information regarding the Agency’s participation in SERS attributed to the Water Revolving Fund is disclosed in Note 13.

Effective for the year ended June 30, 2015, the Agency adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which addresses an issue regarding the application of the transition provisions of GASB Statement No. 68. The statement clarifies the accounting for contributions to a defined benefit pension plan after the measurement date of a government’s beginning net pension liability. The provisions of this statement were incorporated with the implementation of GASB Statement No. 68.

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 FINANCIAL STATEMENTS
For the Year Ended June 30, 2015
(amounts in \$000's)**

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, 2015, were \$269,117. 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 2015, 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 FINANCIAL STATEMENTS
For the Year Ended June 30, 2015
(amounts in \$000's)**

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, 2015, arising from securities lending agreements to the various funds of the State. The total allocated to the Water Revolving Fund at June 30, 2015, was \$132,000.

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 FINANCIAL STATEMENTS
For the Year Ended June 30, 2015
(amounts in \$000's)**

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.

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5. Loans and Notes Receivable (Continued)

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

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 167,122	\$ 39,688	\$ 206,810
2017	172,579	37,317	209,896
2018	170,436	34,001	204,437
2019	167,303	30,763	198,066
2020	163,924	27,614	191,538
2021-2025	757,739	94,748	852,487
2026-2030	563,709	37,105	600,814
2031-2035	<u>220,425</u>	<u>6,802</u>	<u>227,227</u>
	<u>\$ 2,383,237</u>	<u>\$ 308,038</u>	<u>\$ 2,691,275</u>

In addition, at June 30, 2015, outstanding loans of \$328,104 have not been scheduled for repayment. Of this amount \$7,455 is estimated to be collected in the year ending June 30, 2016.

Restricted Loans Receivable

At June 30, 2015, the Agency has pledged loans receivable in the amount of \$1,590,836. This amount is to finance present and future issuances of leveraged bond debt (see note 9). During the year ended June 30, 2015, the Agency received \$136,951 and \$16,655 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.

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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, 42.54% of loan funds made under the Clean Water Program have been made to MWRDGC and municipalities in its service area.

As of June 30, 2015, the outstanding balance of loans to MWRDGC amounted to \$721,810 which exceeds 5% of total loans receivable of the fund. This represents approximately 26.6% of total loans receivable.

As of June 30, 2015, the outstanding balance of loans to the City of Chicago amounted to \$210,715 which exceeds 5% of the total loans receivable of the fund. This represents approximately 7.77% of the total loans receivable.

Principal Forgiveness

As of June 30, 2015, the Federal loan commitments included ARRA federal funds of \$256,781, of which \$129,077 will be forgiven. ARRA principal forgiveness loans are forgiven as disbursed, but must be repaid if the recipient fails to meet ARRA requirements.

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5. Loans and Notes Receivable (Continued)

Federal grants awarded post-ARRA required additional loan principal forgiveness with the minimum and maximum requirements depending on the program. The total minimum principal forgiveness amount is \$83,720 and the total maximum amount is \$228,881. The 2015 Federal grants for both the Clean Water and Drinking Water programs had not been received as of June 30, 2015. 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. 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:

	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 (to be issued)	-	18,926	-
Principal forgiveness charged to Loan Support Program	-	-	11,903
Total Principal Forgiveness Post ARRA	\$ 29,837	\$ 100,329	\$ 90,074

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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 (to be issued)	7,334	11,000	-
Principal forgiveness charged to Loan Support Program	-	-	-
Total Principal Forgiveness Post ARRA	\$ 53,883	\$ 128,552	\$ 50,485
	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	9,201
2014 Grant	10,833	16,249	12,774
2015 Grant (to be issued)	7,334	29,926	-
Principal forgiveness charged to Loan Support Program	-	-	11,903
Total Principal Forgiveness Post ARRA	\$ 83,720	\$ 228,881	\$ 140,558

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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 to Other Funds: The following balances at June 30, 2015, represent amounts due to other Agency and State of Illinois funds:

Due to Central Management Services for:		
Facilities management revolving payments	\$	58
Group insurance premium payments		13
Communications revolving payments		<u>14</u>
		85
Due to State Employees' Retirement System		45
Due to Office of the Auditor General		<u>87</u>
Total Due to Other Funds	\$	<u><u>217</u></u>

8. Capital Assets

Capital asset activities for the year ended June 30, 2015, were as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets being depreciated				
Equipment	\$ 424	\$ 27	\$ -	\$ 451
Less: accumulated depreciation	<u>366</u>	<u>18</u>	<u>-</u>	<u>384</u>
Total capital assets being depreciated	<u>\$ 58</u>	<u>\$ 9</u>	<u>\$ -</u>	<u>\$ 67</u>

**STATE OF ILLINOIS
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9. Long-Term Obligations

Changes in Long-Term Obligations: Changes in long-term obligations for the year ended June 30, 2015, were as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions/</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Due to Illinois Finance Authority	\$ 65,239	\$ 2,282	\$ 13,649	\$ 53,872	\$ -
Compensated absences	1,548	792	850	1,490	52
Net pension liability	51,960	10,730	-	62,690	-
Leases payable	<u>-</u>	<u>27</u>	<u>1</u>	<u>26</u>	<u>8</u>
	<u>\$ 118,747</u>	<u>\$ 13,831</u>	<u>\$ 14,500</u>	<u>\$ 118,078</u>	<u>\$ 60</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 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 of outstanding Series 2002 and 2004 bonds, with interest rates ranging from 3.25% to 5.5%, and to provide \$58,526 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 in bond premiums.

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 for the 2004 bonds and a deferred inflow of resources of \$676 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, 2015, was \$205.

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9. Long-Term Obligations (Continued)

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, 2015, \$1,590,836 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.

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:

Bonds payable	\$	119,150
Accrued interest payable on bonds at June 30, 2015		2,798
Unamortized premium		11,058
Deferred net loss on prior bonds refunded		<u>(767)</u>
		132,239
Cash and cash equivalents held in restricted accounts at June 30, 2015		<u>(78,367)</u>
Net obligation	\$	<u>53,872</u>

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9. Long-Term Obligations (Continued)

The debt service required to be paid by IFA on the bonds is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 21,475	\$ 5,434
2017	20,355	4,590
2018	19,545	3,578
2019	17,410	2,623
2020	14,665	1,791
2021 – 2024	<u>25,700</u>	<u>2,050</u>
	<u>\$ 119,150</u>	<u>\$ 20,066</u>

10. Restricted Net Position

Portions of net position at June 30, 2015, are restricted for:

Low interest loans to local governments, net of loans pledged for debt service	\$ 1,374,700
Debt service	<u>1,595,711</u>
Total restricted net position	<u>\$ 2,970,411</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).

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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, \$1,758,528 for Waste Water and \$668,152 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, 2015, with respect to costs in connection with loans made under the Waste Water and Drinking Water Loan Programs.

The remaining Capital Grant Facility as of June 30, 2015, is summarized below:

	<u>Waste Water</u>	<u>Drinking Water</u>	<u>Total</u>
Total Capital Grants	\$ 1,758,528	\$ 668,152	\$ 2,426,680
Less: Cumulative drawdowns	<u>(1,694,758)</u>	<u>(630,316)</u>	<u>(2,325,074)</u>
Capital Grant Facility	<u>\$ 63,770</u>	<u>\$ 37,836</u>	<u>\$ 101,606</u>

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

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>

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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, 2015, the Agency had \$2,137 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.

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, 2015, are as follows:

Revenues	
Administrative grants	\$ 2,005
Loan Support	<u>22,960</u>
	24,965
Expenses	
Payroll and insurance	12,355
Other general expenses	14,204
Depreciation	<u>18</u>
	<u>26,577</u>
Deficiency of revenues over expenses	<u><u>\$ (1,612)</u></u>

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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.

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.

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13. Pension Plan (Continued)

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 2014 rate is \$110,631.</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>

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.

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13. Pension Plan (Continued)

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 2015, 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.

For fiscal year 2015, 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 2015, the employer contribution rate was 42.339%. The Fund's contribution amount for fiscal year 2015 was \$4,031.

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13. Pension Plan (Continued)

Pension liability, deferred outflows of resources, deferred inflows of resources and expense related to pensions: At June 30, 2015, the Fund's reported a liability of \$62,690 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, 2014 (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, 2014. As of the current year measurement date of June 30, 2014, the Fund's proportion was 0.2313%, which was an increase of 0.0185% from its proportion measured as of the prior year measurement date of June 30, 2013.

For the year ended June 30, 2015, the Fund recognized pension expense of \$7,406. At June 30, 2015, the Department reported deferred outflows and deferred inflows of resources related to the pension liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 273	\$ -
Changes of assumptions	5,684	-
Net difference between projected and actual investment earnings on pension plan investments	-	2,235
Changes in proportion	3,533	-
Department contributions subsequent to the measurement date	4,031	-
Total	\$ 13,521	\$ 2,235

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13. Pension Plan (Continued)

\$4,031 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, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30,	
2016	\$ 2,086
2017	2,086
2018	2,086
2019	997
Total	<u>\$ 7,255</u>

Actuarial Methods and Assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2014, 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 lessor 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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(amounts in \$000's)**

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, 2014, the best estimates of the geometric real rates of return as summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100%</u>	<u>5.03%</u>

Discount Rate: A discount rate of 7.09% was used to measure the total pension liability. This 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 4.29%, 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 2066. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2066, and the municipal bond rate was applied to all benefit payments after that date.

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

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015
(amounts in \$000's)**

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:

	1% Decrease 6.09%	Discount Rate 7.09%	1% Increase 8.09%
Department's proportionate share of the net pension liability	\$ 75,536	\$ 62,690	\$ 52,021

Payables to the pension plan: At June 30, 2015, the Fund reported a payable of \$45 to SERS for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2015.

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.

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

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015
(amounts in \$000's)**

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 Agency.

16. Prior Period Adjustment

As discussed in Note 2, during the year ended June 30, 2015, the Agency adopted the provisions of GASB Statement No. 68. As a result, \$48,029 has been charged to prior periods, thereby decreasing the beginning net position in the Statement of Revenues, Expenses and Changes in Net Position.

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

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015
(amounts in \$000's)**

17. Future Adoption of GASB Statements

Effective for the year ending June 30, 2016, the Agency will adopt GASB Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. 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, 2016, the Agency will adopt GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which identifies—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP 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. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The Agency has not yet determined the impact on its financial statements as a result of adopting GASB Statement No. 76.

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

COMBINING STATEMENT OF NET POSITION BY PROGRAM

June 30, 2015
(amounts in \$000's)

	Drinking Water	Waste Water	Subtotal	Eliminating Entries	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 78,846	\$ 275,035	\$ 353,881	\$ (84,764)	\$ 269,117
Securities lending collateral equity with State Treasurer	-	-	-	132,000	132,000
Investments	-	-	-	-	-
Loans and notes receivable	12,001	52,550	64,551	-	64,551
Other receivables	1,806	8,344	10,150	-	10,150
Due from federal government	3,521	52,383	55,904	-	55,904
Due from component unit	-	-	-	6,398	6,398
Due from Drinking Water program	-	182	182	(182)	-
Restricted assets - accrued interest receivable	830	3,278	4,108	-	4,108
Restricted assets - loans receivable	28,476	81,550	110,026	-	110,026
Total current assets	<u>125,480</u>	<u>473,322</u>	<u>598,802</u>	<u>53,452</u>	<u>652,254</u>
Noncurrent assets					
Loans and notes receivable, net of current portion	246,910	809,044	1,055,954	-	1,055,954
Restricted assets - loans receivable	363,358	1,117,452	1,480,810	-	1,480,810
Capital assets, net of accumulated depreciation	11	56	67	-	67
Total noncurrent assets	<u>610,279</u>	<u>1,926,552</u>	<u>2,536,831</u>	<u>-</u>	<u>2,536,831</u>
TOTAL ASSETS	<u>735,759</u>	<u>2,399,874</u>	<u>3,135,633</u>	<u>53,452</u>	<u>3,189,085</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on pension liability	3,191	10,330	13,521	-	13,521
Deferred amount on refunding of long-term obligator	439	706	1,145	-	1,145
Total deferred outflows of resources	<u>3,630</u>	<u>11,036</u>	<u>14,666</u>	<u>-</u>	<u>14,666</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>739,389</u>	<u>2,410,910</u>	<u>3,150,299</u>	<u>53,452</u>	<u>3,203,751</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liability	1,021	1,901	2,922	(2,798)	124
Due to component units	61	73	134	-	134
Due to federal government	2	190	192	-	192
Due to local governments	11	-	11	-	11
Due to other funds	66	151	217	-	217
Due to Waste Water program	182	-	182	(182)	-
Obligations under securities lending of State Treasurer	-	-	-	132,000	132,000
Compensated absences	13	39	52	-	52
Leases payable, current	-	8	8	-	8
Revenue bonds	7,660	13,815	21,475	(21,475)	-
Unamortized premium on revenue bonds	1,123	2,010	3,133	(3,133)	-
Total current liabilities	<u>10,139</u>	<u>18,187</u>	<u>28,326</u>	<u>104,412</u>	<u>132,738</u>
Noncurrent liabilities:					
Long-term obligations	-	-	-	53,872	53,872
Compensated absences	356	1,082	1,438	-	1,438
Net pension liability	13,412	49,278	62,690	-	62,690
Leases payable	-	18	18	-	18
Revenue bonds	34,936	62,739	97,675	(97,675)	-
Unamortized premium on revenue bonds	2,828	5,096	7,924	(7,924)	-
Total noncurrent liabilities	<u>51,532</u>	<u>118,213</u>	<u>169,745</u>	<u>(51,727)</u>	<u>118,018</u>
TOTAL LIABILITIES	<u>61,671</u>	<u>136,400</u>	<u>198,071</u>	<u>52,685</u>	<u>250,756</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred amount on pension liability	554	1,681	2,235	-	2,235
Deferred amount on refunding of long-term obligator	126	252	378	-	378
Total deferred inflows of resources	<u>680</u>	<u>1,933</u>	<u>2,613</u>	<u>-</u>	<u>2,613</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>62,351</u>	<u>138,333</u>	<u>200,684</u>	<u>52,685</u>	<u>253,369</u>
NET POSITION					
Net investment in capital assets	11	30	41	-	41
Restricted for					
Debt service	411,370	1,261,941	1,673,311	(77,600)	1,595,711
Other purposes	271,335	1,024,998	1,296,333	78,367	1,374,700
Unrestricted	(5,678)	(14,392)	(20,070)	-	(20,070)
TOTAL NET POSITION	<u>\$ 677,038</u>	<u>\$ 2,272,577</u>	<u>\$ 2,949,615</u>	<u>\$ 767</u>	<u>\$ 2,950,382</u>

**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, 2015
(amounts in \$000's)

	<u>Drinking Water</u>	<u>Waste Water</u>	<u>Subtotal</u>	<u>Eliminating Entries</u>	<u>Total</u>
OPERATING REVENUES					
Interest income on loans - unpledged	\$ 7,263	\$ 23,487	\$ 30,750	\$ -	\$ 30,750
Interest income on loans - pledged	4,159	11,659	15,818	-	15,818
Total operating revenues	<u>11,422</u>	<u>35,146</u>	<u>46,568</u>	<u>-</u>	<u>46,568</u>
OPERATING EXPENSES					
General and administrative	6,008	20,551	26,559	-	26,559
Principal forgiveness	8,917	5,900	14,817	-	14,817
Depreciation	5	13	18	-	18
Total operating expenses	<u>14,930</u>	<u>26,464</u>	<u>41,394</u>	<u>-</u>	<u>41,394</u>
OPERATING INCOME (LOSS)	<u>(3,508)</u>	<u>8,682</u>	<u>5,174</u>	<u>-</u>	<u>5,174</u>
NONOPERATING REVENUES					
Interest and investment income	397	1,175	1,572	(30)	1,542
Federal government	34,628	105,965	140,593	-	140,593
Total nonoperating revenues	<u>35,025</u>	<u>107,140</u>	<u>142,165</u>	<u>(30)</u>	<u>142,135</u>
NONOPERATING EXPENSES					
Interest	1,239	2,044	3,283	(797)	2,486
Other nonoperating expenses	-	-	-	-	-
Total nonoperating expenses	<u>1,239</u>	<u>2,044</u>	<u>3,283</u>	<u>(797)</u>	<u>2,486</u>
CHANGE IN NET POSITION	30,278	113,778	144,056	767	144,823
NET POSITION, BEGINNING OF YEAR					
As originally reported	656,699	2,196,889	2,853,588	-	2,853,588
Prior period adjustment	(9,939)	(38,090)	(48,029)	-	(48,029)
As restated	<u>646,760</u>	<u>2,158,799</u>	<u>2,805,559</u>	<u>-</u>	<u>2,805,559</u>
NET POSITION, END OF YEAR	<u>\$ 677,038</u>	<u>\$ 2,272,577</u>	<u>\$ 2,949,615</u>	<u>\$ 767</u>	<u>\$ 2,950,382</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, 2015
(amounts in \$000's)

	Drinking Water	Waste Water	Subtotal	Eliminating Entries	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash payments to employees for services	\$ (4,342)	\$ (12,063)	\$ (16,405)	\$ -	\$ (16,405)
Other payments	(645)	(5,354)	(5,999)	-	(5,999)
Net cash used in operating activities	<u>(4,987)</u>	<u>(17,417)</u>	<u>(22,404)</u>	<u>-</u>	<u>(22,404)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants received	40,817	100,079	140,896	-	140,896
Interest and principal paid on borrowing	(10,404)	(18,843)	(29,247)	15,600	(13,647)
Arbitrage paid	(1,224)	(1,959)	(3,183)	2,841	(342)
Net cash provided by noncapital financing activities	<u>29,189</u>	<u>79,277</u>	<u>108,466</u>	<u>18,441</u>	<u>126,907</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on capital debt	-	(1)	(1)	-	(1)
Net cash used in capital and related financing activities	<u>-</u>	<u>(1)</u>	<u>(1)</u>	<u>-</u>	<u>(1)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and investment income	10,441	33,282	43,723	(330)	43,393
Deposited with Illinois Finance Authority	14,002	33,406	47,408	476	47,884
Deposits to be transferred between programs	182	(182)	-	-	-
Loans disbursed to governmental units	(115,714)	(309,808)	(425,522)	-	(425,522)
Loans repaid by governmental units	38,307	152,995	191,302	-	191,302
Net cash used in investing activities	<u>(52,782)</u>	<u>(90,307)</u>	<u>(143,089)</u>	<u>146</u>	<u>(142,943)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(28,580)	(28,448)	(57,028)	18,587	(38,441)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	107,426	303,483	410,909	(103,351)	307,558
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 78,846</u>	<u>\$ 275,035</u>	<u>\$ 353,881</u>	<u>\$ (84,764)</u>	<u>\$ 269,117</u>
Reconciliation of operating income to net cash used in operating activities					
Operating income (loss)	\$ (3,509)	\$ 8,683	\$ 5,174	\$ -	\$ 5,174
Adjustments to reconcile operating income to net used in operating activities					
Depreciation expense	5	13	18	-	18
Principal forgiveness	8,917	5,900	14,817	-	14,817
In-kind expense	127	128	255	-	255
Interest income	(11,421)	(35,147)	(46,568)	-	(46,568)
Net pension expense	836	2,539	3,375	-	3,375
Change in assets and liabilities					
Increase in accounts payable and accrued liabilities	13	89	102	-	102
Increase in due to component units	16	73	89	-	89
Increase in intergovernmental payables	-	190	190	-	190
Increase in due to other funds	61	141	202	-	202
Decrease in compensated absences	(32)	(26)	(58)	-	(58)
Net cash used in operating activities	<u>\$ (4,987)</u>	<u>\$ (17,417)</u>	<u>\$ (22,404)</u>	<u>\$ -</u>	<u>\$ (22,404)</u>

**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 William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, 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 financial statements of the Water Revolving Fund (the Fund) of the State of Illinois, Environmental Protection Agency, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Fund's financial statements, and have issued our report thereon dated December 18, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) 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 Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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.

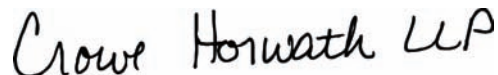
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, professional style.

Crowe Horwath LLP

Oak Brook, Illinois
December 18, 2015

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APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

_____, 2016

The Members of the
Illinois Finance Authority

Dear Members:

We have examined a record of proceedings relating to the issuance of \$500,000,000 aggregate principal amount of State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2016 (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 2016-0811-LG04, adopted by the members of the Authority on August 11, 2016 (the “Bond Resolution”). The Bonds are issued and secured under the Master Trust Agreement dated as of November 1, 2013 (the “Master Trust Agreement”), by and between the Authority and Amalgamated Bank of Chicago, as master trustee (the “Master Trustee”) as supplemented by the Second Supplemental Master Trust Agreement dated as of September 1, 2016 (the “Second Supplemental Master Trust Agreement”), by and between the Authority and the Master Trustee.

Pursuant to the Master Trust Agreement, the Authority has heretofore issued its State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2013, which are outstanding in the aggregate principal amount of \$87,415,000 (the “2013 Bonds”). The Bonds, the 2013 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, 2016 and bear interest from their date payable on January 1, 2017 and semiannually thereafter on each January 1 and July 1. The Bonds mature on the following maturity dates in the respective principal amount set opposite each such maturity date in the following table and bear interest at the respective rate of interest per annum set forth opposite such principal amount:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
July 1, 2017	\$10,560,000	5.00%
January 1, 2018	13,125,000	4.00
July 1, 2018	14,110,000	4.00
January 1, 2019	14,465,000	4.00
July 1, 2019	14,850,000	5.00
January 1, 2020	15,020,000	5.00
July 1, 2020	15,235,000	5.00
January 1, 2021	15,530,000	5.00
July 1, 2021	15,790,000	5.00
January 1, 2022	15,690,000	5.00
July 1, 2022	15,450,000	5.00
January 1, 2023	15,740,000	4.00
July 1, 2023	15,950,000	5.00
January 1, 2024	17,000,000	5.00
July 1, 2024	16,840,000	5.00
January 1, 2025	16,485,000	4.00
July 1, 2025	16,200,000	4.00
January 1, 2026	15,615,000	5.00
July 1, 2026	15,615,000	4.00
January 1, 2027	15,590,000	5.00
July 1, 2027	14,795,000	5.00
January 1, 2028	14,590,000	5.00
July 1, 2028	13,910,000	5.00
January 1, 2029	13,815,000	5.00
July 1, 2029	12,970,000	5.00
January 1, 2030	12,705,000	5.00
July 1, 2030	12,135,000	4.00
January 1, 2031	11,750,000	5.00
July 1, 2031	11,685,000	5.00
January 1, 2032	11,405,000	4.00
July 1, 2032	11,025,000	4.00
January 1, 2033	9,910,000	4.00
July 1, 2033	8,625,000	4.00
January 1, 2034	7,740,000	4.00
July 1, 2034	6,625,000	4.00
January 1, 2035	6,815,000	4.00
July 1, 2035	5,825,000	4.00
January 1, 2036	4,635,000	4.00
July 1, 2036	4,180,000	4.00

The Bonds are subject to pro-rata extraordinary mandatory redemption in such principal amounts as may be required to maintain the tax-exempt status of the interest on the Bonds in accordance with Section 149(f) of the Internal Revenue Code of 1986 (the “Code”), on December 1, 2017 and on December 2, 2019, at the applicable redemption prices set forth in the Second Supplemental Master Trust Agreement.

The Bonds maturing on or after July 1, 2026 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, 2026, 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 Second 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 Second 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 Second 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 Second Supplemental Master Trust Agreement, and are enforceable in accordance with their terms.

5. The Bonds, the 2013 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 2013 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 Second 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 \$500,000,000 State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2016 (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 Second Supplemental Master Trust Agreement dated as of September 1, 2016 (the “*Second 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 30, 2016 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 and by the Second Amendment to Memorandum of Agreement dated as of September 1, 2016, 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 Second 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 Second 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 Second 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, 2016, 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 Second 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 transferee 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: September 12, 2016

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, 2017	5.00%	HY7
January 1, 2018	4.00	JU3
July 1, 2018	4.00	HZ4
January 1, 2019	4.00	JV1
July 1, 2019	5.00	JA7
January 1, 2020	5.00	JW9
July 1, 2020	5.00	JB5
January 1, 2021	5.00	JX7
July 1, 2021	5.00	JC3
January 1, 2022	5.00	JY5
July 1, 2022	5.00	JD1
January 1, 2023	4.00	JZ2
July 1, 2023	5.00	JE9
January 1, 2024	5.00	KA5
July 1, 2024	5.00	JF6
January 1, 2025	4.00	KB3
July 1, 2025	4.00	JG4
January 1, 2026	5.00	KC1
July 1, 2026	4.00	JH2
January 1, 2027	5.00	KD9
July 1, 2027	5.00	JJ8
January 1, 2028	5.00	KE7
July 1, 2028	5.00	JK5
January 1, 2029	5.00	KF4
July 1, 2029	5.00	JL3
January 1, 2030	5.00	KG2
July 1, 2030	4.00	JM1
January 1, 2031	5.00	KH0
July 1, 2031	5.00	JN9
January 1, 2032	4.00	KJ6
July 1, 2032	4.00	JP4
January 1, 2033	4.00	KK3
July 1, 2033	4.00	JQ2
January 1, 2034	4.00	KL1
July 1, 2034	4.00	JR0
January 1, 2035	4.00	KM9
July 1, 2035	4.00	JS8
January 1, 2036	4.00	KN7
July 1, 2036	4.00	JT6

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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 \$500,000,000 State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2016 (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 Second Supplemental Master Trust Agreement dated as of September 1, 2016 (the “*Second 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 30, 2016 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 Second 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 Second 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 Second 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 transferee 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, 2017	5.00%	HY7
January 1, 2018	4.00	JU3
July 1, 2018	4.00	HZ4
January 1, 2019	4.00	JV1
July 1, 2019	5.00	JA7
January 1, 2020	5.00	JW9
July 1, 2020	5.00	JB5
January 1, 2021	5.00	JX7
July 1, 2021	5.00	JC3
January 1, 2022	5.00	JY5
July 1, 2022	5.00	JD1
January 1, 2023	4.00	JZ2
July 1, 2023	5.00	JE9
January 1, 2024	5.00	KA5
July 1, 2024	5.00	JF6
January 1, 2025	4.00	KB3
July 1, 2025	4.00	JG4
January 1, 2026	5.00	KC1
July 1, 2026	4.00	JH2
January 1, 2027	5.00	KD9
July 1, 2027	5.00	JJ8
January 1, 2028	5.00	KE7
July 1, 2028	5.00	JK5
January 1, 2029	5.00	KF4
July 1, 2029	5.00	JL3
January 1, 2030	5.00	KG2
July 1, 2030	4.00	JM1
January 1, 2031	5.00	KH0
July 1, 2031	5.00	JN9
January 1, 2032	4.00	KJ6
July 1, 2032	4.00	JP4
January 1, 2033	4.00	KK3
July 1, 2033	4.00	JQ2
January 1, 2034	4.00	KL1
July 1, 2034	4.00	JR0
January 1, 2035	4.00	KM9
July 1, 2035	4.00	JS8
January 1, 2036	4.00	KN7
July 1, 2036	4.00	JT6

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”) New York, NY, will act as securities depository for the Series 2016 Bonds. The Series 2016 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 2016 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 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2016 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 2016 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 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 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 2016 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 2016 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2016

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 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the First Supplemental Master Trust Agreement or the Master Trust Agreement. For example, Beneficial Owners of the Series 2016 Bonds may wish to ascertain that the nominee holding the Series 2016 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 2016 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2016 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 2016 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 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium and interest payments on the Series 2016 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 2016 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 and the Master Trustee can or do give any assurances that DTC will distribute to Participants or that Participants or others will distribute to the Beneficial Owners payments of principal of and interest and premium, if any, on the Series 2016 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 2016 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 2016 Bonds; (iii) any notice that is permitted or required to be given to Holders under the Indenture; (iv) the selection by DTC, any Direct Participant or any Indirect Participant of any person to receive payment in the event of a partial redemption of the Series 2016 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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