

Please note the Authority may supplement these responses and will post accordingly.

Addendum #1

Questions relating to the Request for Proposals for Financing Options for Debt Issuances from Banks, Credit Providers, Underwriters and Placement Agents dated October 8, 2015

Questions related to Legal Authority and/or Taxability

- What is governing the par amount of \$115MM? Could the IFA issue more?

Section 801-40(w) of the Illinois Finance Authority Act (20 ILCS 3501/801-1 *et seq.*) (herein referred to as the Act) provides for the issuance of moral obligation bonds of the Authority and further provides that the principal amount of Authority bonds outstanding issued under that section and certain other sections, shall not exceed \$150 million. Currently, approximately \$35 million of bonds are outstanding under the relevant sections. Moral obligation bonds are also permitted under other sections of the Act (i.e. see section 825-75 related to, among other things, energy efficiency projects and renewable energy projects subject to additional limits in the aggregate up to \$2 billion and for a specific borrower up to \$450 million).

- Please explain the appropriation process and timing associated with the State's appropriations that will be made to service the IFA's debt. Specifically, will appropriations be enacted and/or specific statutory authority for such appropriations be provided for the benefit of lenders/bondholders prior to the execution of the IFA's contemplated \$115MM moral obligation borrowing?

With respect to the payment of debt service for this anticipated public purpose project, the Illinois Finance Authority intends to request and the Governor's Office of Management and Budget intends to include a line item in the next introduced budget sufficient to pay debt service. If such appropriation is not enacted into law before the date of the next debt service payment, then following consideration and action by the Authority board, the Authority will take the statutory steps to trigger any moral obligation or additional security pledge under 20 ILCS 3501/801-40(w); 20 ILCS 3501/825-40; 825-75

- Capital markets solutions Q1 asks for spreads to MMD. Since this financing is expected to be taxable, we would quote the scale as a spread to Treasuries. Please indicate if the taxable scale as a spread to MMD is still desired.
- In Question 1 for the capital market solutions of the RFP, it asks firms to provide a spread to MMD. Can we assume that the IFA would like firms to spread to Treasury or Treasuries given the assumption that deal is taxable?
- The RFP indicates that the financing is "likely taxable"? Can you elaborate upon the rationale for this decision?
- Is it possible that the issuance will be split between taxable and tax exempt?

- As the financing is “likely taxable”, should our pricing levels for capital markets solutions in response to Q1 be reflected to show a coupon/yield scale and expected spread to the appropriate taxable U.S. Treasury (instead of MMD as stated in the RFP) as close of business on October 15, 2015?
- Has the IFA’s counsel determined that none of the contemplated borrowings would qualify for tax exempt financing? Please explain legal rationale if tax exempt financing is permitted.

The IFA has retained counsel. However, a detailed and thorough tax analysis has not been completed to determine what amount, if any, could be financed on a tax-exempt basis. If proposing a taxable solution, please use the spread to Treasuries. If the solution proposed is tax-exempt, please use MMD. Both are acceptable but quotes should follow suggested solution.

- Are there any specific state or authority level revenues available that can be pledged in addition to the State’s general appropriation?
- Does the State or the Authority have the ability to secure collateral (i.e., cash or other marketable securities) to serve as additional security or for a debt service reserve fund?
- Does the State or the Authority have access to “hard assets” such as buildings, physical plant, etc. that can be used as additional collateral under the indenture for an appropriation backed financing?

The Offeror should assume there will be no additional collateral such as cash, marketable securities, or “hard assets”. However, the IFA desires the most effective finance plan and seeks recommendations that reflect the development of that concept; please include commentary or requirements on the items above, if required.

Questions related to Receivables

- On a “Receivables financing specifically under the State’s Prompt Payment Act”, does the IFA have current enforceability and/or legal opinions that can assure a lender that State legislative authorization currently exists to enter into a third party financing agreement?

No. The IFA has not requested nor received such an opinion.

- If IFA pursued a receivables securitization, could all of the State’s receivables be securitized or are there any limits or restrictions?
- Can the IFA provide additional detail on the amount and nature of the current outstanding receivables?

This answer will vary depending on the details of the transaction to be developed. Offeror should recommend the most cost-effective receivables finance plan and suggest the level and type of receivables transaction that would accomplish those goals.

- Is the ‘customer’ for these receivables the IFA or other State Agencies? If IFA, how much in Receivables are owed currently? The RFP also mentions that the State has receivables to be securitized. What are the receivables for, who are the debtors and what is the approximate current amount of the receivables?

The receivables in question are the State’s receivables, not those of IFA.

- If a vendor whose receivable has been purchased declares bankruptcy how will that affect this transaction?

Offeror should assume certain risk as part of their financing proposals. Offerors are expected to outline their experience and required terms in such financing alternatives.

- Will there be a process in place for identifying receivables to be included within this transaction?
- Will there be a process for tracking payment of those receivables?
- Who will be responsible for identifying eligible receivables to be purchased with funds from this transaction?

Offerors are expected to outline required terms in such financing alternatives. If it is required for the development of the proposal, the Offeror should detail.

- Under the Receivable Financing option, are these receivables owed by the State to its vendors?

Yes

Questions related to Structure, Payment of issuance costs and/or other financing uses

- Could the IFA provide additional guidance on the expected final maturity to use for any scales or analysis? Capital markets solutions Q1 says our scale should be no less than 10 years, while the Overview section says the final maturity will be 5-10 years, but could be up to 25 years.

For Capital Markets solutions, it is anticipated that the transaction will be structured with level debt service, with a 10-20 year amortization. Direct Purchase Solutions are expected to have level debt service, 10-20 year amortization. For Other Options (including receivables) the structure will be determined to be the most cost-effective, financially flexible to the IFA.

- If the Bank proposes a variable interest rate, with monthly interest payments, how will the Authority make payments without a passed budget?
- How is it anticipated that capitalized interest will be repaid?

Revenues to repay the loan or bond, including interest costs, administrative fees (if any) and cost of issuance, will be from anticipated future appropriations for this purpose, not from the general or special funds of the Authority.

In addition, the Bonds are expected to be supported by the “moral obligation” of the State of Illinois as described in 20 ILCS 3501/801-40(w). This Section provides that, in the event: (i) the IFA determines that monies of the IFA will not be sufficient for the payment of the principal and interest on the Bonds during the next State fiscal year; or (ii) there is a withdrawal of monies from the Debt Service Reserve Fund to pay the

Bonds, the Chairperson of the IFA shall certify to the Governor the amount required to pay such principal of and interest on the Bonds, or to restore the Debt Service Reserve Fund to the required level, as the case may be, and the Governor shall submit the amount so certified to the Illinois General Assembly as soon as practicable, but no later than the end of the current State fiscal year.

Under the Constitution of the State of Illinois (the “State Constitution”) and the laws of the State, the annual budget prepared by the Governor includes both the Governor’s recommendations for the State appropriations and such other information as required by the State Constitution and applicable statutes. Under the State Constitution, any payment of State funds to the IFA is subject to an appropriation approved by the General Assembly. In addition, the Governor’s recommendations for State appropriations are a matter of executive discretion. Thus although Section 801-40(w) of the Authority Act requires that the amount certified by the Chairperson of the Authority to enable it to pay principal and interest on moral obligation bonds shall be submitted by the Governor to the General Assembly as a State appropriation for that purpose; it does not create a debt of, or obligation enforceable against the State. There is no assurance either that such money will be appropriated or that any appropriation will be made at such time so as to ensure timely payment of principal of or interest on the Bonds.

Under the Authority Act, any pledge of revenues or other moneys made by the Authority shall be binding from the time the pledge is made. Revenues and other moneys so pledged shall be held outside of the State treasury and in the custody of either the Treasurer of the Authority or a trustee or a depository appointed by the Authority. Revenues or other moneys so pledged and thereafter received by the Authority or trustee or depository shall immediately be subject to the lien of the pledge without any physical delivery thereof or further act, and the lien of any pledge shall be binding against all parties having claims of any kind in tort, contract, or otherwise against the Authority, irrespective of whether the parties have notice thereof. Neither the resolution nor any other instrument by which a pledge is created need be filed or recorded except in the records of the Authority. The State pledges and agrees with the holders of bonds or other obligations of the Authority that the State will not limit or restrict the rights vested in the Authority by the Authority Act to purchase, acquire, hold, sell, or dispose of investments or to establish and collect such fees or other charges as may be convenient or necessary to produce sufficient revenues to meet the expenses of operation to the Authority, and to fulfill the terms of any agreement made with the holders of the bonds or other obligations of the Authority or in any way impair the rights or remedies of the holders of those bonds or other obligations of the Authority until such bonds or other obligations are fully paid and discharged or provision for their payment has been made. (20 ILCS 3501/801-50)

- Will the Authority be open to capitalizing interest?

Offerors are expected to propose the structure that they feel best suits the goals and objectives of the IFA and what would be required to most effectively complete the financing presented.

- How are costs of issuance anticipated to be paid?

Costs of issuance are anticipated to be paid from bond or loan proceeds.

Other Questions

- Can we get a copy of the Emergency Purchase Resolution that was mentioned in the RFP?

See online IFA October Board Book at <http://www.il-fa.com/>

- As this will be a transaction with the Authority, how will it appear in the Authority's audited financial statements?
- Will it appear in the Authority's general operating fund or some other fund?

IFA currently has approximately \$35M of moral obligation debt. Please see 2014 CAFR online for the audit.

- Does the Authority have an estimated date that they would like to close/fund this transaction?

Under Procurement Act of the State of Illinois, relating to emergency purchases, the IFA has 90 days to close a transaction. (30ILCS 500/20-30)

- What is the use of proceeds for the \$115MM moral obligation borrowing? Are all of the payments for the Public Purpose Projects?
- Can you provide any information on the specific emergency expenditures that will be funded by the financing?
- What projects under the \$115MM moral obligation borrowing will be funded under the State's Prompt Payment Act?
- Assuming loan proceeds are used to make the most critical payments, would the repayment of any loan upon passage of a State budget for FY16 obtain a first priority with appropriated funds?
- For the proposed \$115mm financing anticipated to be issued under the Emergency Purchase Resolution dated October 8, 2015 to pay certain outstanding invoices of the State of Illinois, does the IFA or the State have a schedule of priority of payments for these outstanding invoices?

It is the intent of the Authority that the proposed transaction which is the subject of this procurement and the funding of essential governmental goods and services will be "public purpose project(s)." 20 ILCS 3501/801-5; 20 ILCS 3501/801-10(c); 20 ILCS 3501/801(i).

At this time, the Authority has no definitive or final list of essential government goods and services to be funded from the proceeds of this anticipated public purpose project.

- What is the anticipated draw down or payment schedule for the \$115MM moral obligation borrowing?

At this time, the Authority has no definitive or final list or schedule of priority payments for outstanding invoices.

- It would be helpful to have a specific “one firm only” conference call with the IFA and its legal counsel prior to our submission so that we can specifically ask legal questions that can assist our response to the IFA’s RFP. Can the IFA make its counsel available for such a call?

The IFA will not provide for a “one firm only” conference call with any of the potential offerors prior to submission of the response. As mentioned in the original RFP, the IFA may choose to conduct oral interviews with firms after submittal.

- For any potential capital markets solutions, what disclosure would be available given that an FY16 budget has not been passed?

The Authority has obtained counsel, as will the chosen underwriter (if a capital markets solution is chosen), ensuring any and all relevant public disclosures are provided based upon the facts available.

- Is it the Authority’s expectation that the State would be able to make an appropriation in a single year to repay the anticipated financing, if that was the most cost-effective alternative?

It is not the Authority’s expectation. However, the IFA is interested in any commentary from Offerors regarding prepayment should a single year full appropriation occur.

- Does the bank term sheet or term sheets count within the 15 page limit?

No

- How can we find Procurement Code Forms A and B specified on page 10?

Please refer to the following links:

<http://www.illinois.gov/cpo/general/Documents/Forms A Section V.15.2.docx>

<http://www.illinois.gov/cpo/general/Documents/Forms B Section V.15.2.docx>

- Are the Authority’s outstanding moral obligations currently rated?

Yes. Please refer to the following link:

<http://emma.msrb.org/IssueView/IssueDetails.aspx?id=MS28390>

- Has the Authority had any preliminary discussions with any of the major rating agencies about having this deal rated?
- Could you please provide any preliminary or anticipated ratings indications for this issue?

For the purposes of this response, the Offeror should assume no. IFA will seek recommendations regarding ratings once a final structure has been determined.

- Treatment of Confidential Information

PUBLIC RECORDS AND REQUESTS FOR CONFIDENTIAL TREATMENT: Offers become the property of the IFA and will not be returned. All Offers will be open to the public under the Illinois Freedom of Information Act (FOIA) (5 ILCS 140) and other applicable laws and rules, unless you request in your Offer that the IFA treat certain information as exempt. A request for confidential treatment will not supersede IFA's legal obligations under FOIA. The IFA will not honor requests to exempt entire Offers. Vendor must show specific grounds in FOIA or other law or rule that support exempt treatment. If exempt treatment is requested, vendor must submit an additional copy of the Offer with exempt information deleted. This copy must tell the general nature of the material removed and shall retain as much of the Offer as possible. Vendor will be responsible for any costs or damages associated with our defending your request for exempt treatment. Vendor agrees the IFA may copy the Offer to facilitate evaluation, or to respond to requests for public records and warrant that such copying will not violate the rights of any third party.