

**OFFICIAL NOTICE OF CERTIFICATE SALE AND BID FORM**

**STATE OF ILLINOIS**



**\$765,000,000**

**STATE OF ILLINOIS,  
GENERAL OBLIGATION CERTIFICATES  
OF MARCH, 2005**

ROD R. BLAGOJEVICH  
Governor

JOHN B. FILAN  
Director, Governor's Office of Management and Budget

Bids Will Be Received Via PARITY Until  
11:00 A.M. Central Standard Time  
February 24, 2005  
As Described Herein

Bond Counsel  
UNGARETTI & HARRIS LLP



**OFFICIAL NOTICE OF CERTIFICATE SALE**  
**\$765,000,000**  
**STATE OF ILLINOIS**  
**GENERAL OBLIGATION CERTIFICATES OF MARCH, 2005**

NOTICE is hereby given that sealed bids will be received by the Director of the Governor's Office of Management and Budget (the "*GOMB*") of the State of Illinois (the "*State*") until the hour of 11:00 A.M. (Central Standard Time) on Thursday, February 24, 2005, via PARITY, in the manner described below, for the purchase of the following described certificates of the State:

\$765,000,000 State of Illinois, General Obligation Certificates of March, 2005 (the "*Certificates*"). The Certificates will be dated the date of issuance thereof, and will be issued in fully registered form, without coupons. The Certificates will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("*DTC*"), New York, New York, which will act as securities depository for the Certificates. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 and any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Certificates purchased unless the book-entry system is terminated. See "APPENDIX C —GLOBAL BOOK-ENTRY SYSTEM" in the Preliminary Official Statement relating to the Certificates (the "*Preliminary Official Statement*"). The Certificates will mature on June 3, 2005.

Interest on the Certificates will be payable only at maturity and will be computed on the basis of a 360-day year of twelve 30-day months. Both principal and interest will be paid by the State Treasurer to DTC, which will remit such principal and interest to DTC's Participants, who in turn will be responsible for remitting such payments to the Beneficial Owners of the Certificates, as more fully described in the Preliminary Official Statement.

Bids shall be submitted electronically via PARITY pursuant to this Official Notice of Certificate Sale until the time specified above, but no bid will be received after the time for receiving bids specified above. **Any prospective bidder that intends to submit a bid must submit its bid through PARITY, no in-person or faxed bids will be accepted.** Subscription to I-Deal's PARITY Competitive Bidding System is required in order to submit an electronic bid. The State will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

An electronic bid made through the facilities of PARITY shall be deemed to incorporate the provisions of this Official Notice of Certificate Sale and the Official Bid Form. Any such electronic bid shall be deemed to constitute an irrevocable offer to purchase the Certificates for which a bid is submitted on the terms provided herein and shall be binding upon the Successful Bidder (hereafter defined). The State shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of this Official Notice of Certificate Sale shall conflict with any instructions or directions set forth in PARITY, the terms of this Notice shall control. For further information about PARITY, potential bidders may contact PARITY at (212) 404-8102. The State shall not be responsible for any fees or charges imposed in connection with the use of PARITY.

#### SECURITY

The Short Term Borrowing Act, 30 ILCS 340/1 *et seq.* (the "Act") of the State, pursuant to which the Certificates are being issued, constitutes an appropriation out of any money in the State Treasury of an amount sufficient to pay the principal of and interest on the Certificates as the same become due.

The anticipated sources of funds to repay the principal of and interest on the Certificates when due and the anticipated schedule of transfers of such funds to the GOBR&I Fund (as defined in the Preliminary Official Statement) to provide for such payment is set forth in Table 4 of the Preliminary Official Statement.

#### RATINGS AND BOND INSURANCE

The State has applied to Moody's Investor Service, Inc., Standard & Poor's Rating Services and Fitch Ratings for underlying short-term ratings on the Certificates. Notification of the underlying short-term ratings on the Certificates shall be made via TM3 wire (if such ratings are not directly released via TM3 wire by one or more of the rating agencies) simultaneously with the dollar amount of the costs of issuance (described in the BIDDING DETAILS herein) to be paid by the Successful Bidder.

The State is not securing the Certificates with bond insurance or any other form of credit enhancement.

Bidders, at their own expense, may elect to insure the Certificates, and such insurance may be obtained from one or more bond insurance providers identified on the Official Bid Form.

The Successful Bidder agrees to disclose to the State the cost of any such insurance obtained from each (if more than one) insurance provider used. The Successful Bidder must certify to the net interest cost benefit from the use of bond insurance, as more fully described in the form of Certification of Purchaser attached hereto as Exhibit I. Insured ratings with the use of bond insurance, if required, are to be applied for by the Successful Bidder, and costs incurred for such ratings must be paid at the Successful Bidder's expense.

#### BIDDING DETAILS

The Certificates will be awarded to the bidder (hereinafter, the "*Successful Bidder*") whose bid conforms to the terms of this Official Notice of Certificate Sale and which bid results in the lowest "true interest cost" ("*TIC*"), determined as follows: The TIC is the discount rate

(expressed as a per-annum percentage rate) which, when used in computing the present value of all principal and interest to be paid on the Certificates, from the scheduled payment date back to the date of delivery, produces a present value amount equal to the price bid, including premium, if any, to the date of delivery. Payment of principal and interest on the Certificates shall be based on the principal amounts set forth in the Official Bid Form and the interest rate specified by each bidder. The computation of present value shall be based on the number of semiannual periods between the scheduled payment date and the date of delivery, using a 360-day year of twelve 30-day months.

In the event of more than one bid specifying the lowest TIC as defined above, it shall be the option of the State to propose that the winning bidders syndicate the award as such bidders may mutually agree, or to select by lot among the bidders with the lowest TIC, in which case such determination by the State shall be considered final.

In the event of more than one Successful Bidder, there shall be decided between them which bidder shall assume the primary role of Successful Bidder in respect to the obligations in this Official Notice of Certificate Sale, including the payment of expenses, good faith deposit and providing of Certification of Purchaser, and other disclosures and representations as required herein.

Bidders are to specify a rate of interest per annum to be paid on the Certificates, subject to the following limitations:

- (i) all Certificates must bear the same rate of interest;
- (ii) no interest rate shall be other than a whole multiple of one-eighth or one-twentieth of one percent, a zero rate of interest may not be named, and no rate of interest may exceed the greater of 9% per annum or 125% of the rate for the most recent date shown in the 20 G.O. Bonds Index of average municipal bond yields as published in the most recent edition of *The Bond Buyer*, published in New York, New York, at the time the contract is made for the sale of the Certificates; and
- (iii) the Initial Reoffering Price (as defined below) of the Certificates shall not be less than 100% of their par value.

No bid for the Certificates at a price less than 100% of their par value will be considered. No proposal will be considered which does not offer to purchase all of the Certificates. For information purposes only, and not for consideration as part of the bid, the TIC for the Certificates shall be specified in such bid, including bids submitted electronically via PARITY.

Each bid must be accompanied by a good faith deposit (the "*Deposit*") in the form of either (i) a certified check or cashier's check drawn on a solvent bank or trust company authorized to transact business in the State or (ii) a financial surety bond from an insurance company licensed to issue such a bond in the State and acceptable to the State. The Deposit shall be payable to the order of the State Treasurer in the amount of \$765,000. Good faith checks with respect to bids which are not accepted shall be promptly returned. Any good faith checks must

be submitted to the GOMB, in care of Aaron P. Cook, 603 Stratton Building, Springfield, Illinois 62706, (217-782-9642), prior to the opening of the bids. Any financial surety bond must be submitted to the GOMB prior to the opening of the bids, and must identify each bidder whose Deposit is guaranteed by such financial surety bond. If the Certificates are awarded to a bidder that submitted a financial surety bond, then such Successful Bidder shall submit its Deposit to the State in the form of a certified check or cashier's check, as described above, or wire transfer such amount as instructed by the GOMB, not later than 2:00 p.m., Central Standard Time, on the first business day following the award of the Certificates. If such Deposit is not received by such time, the financial surety bond may be drawn by the State to satisfy the Deposit requirement.

The State may, as security for the faithful performance by the Successful Bidder of its obligation to take up and pay for the Certificates when tendered, cash the check of the Successful Bidder. The State may hold the proceeds of any Deposit or invest the same (at the State's risk) in obligations that mature at or before the delivery of the Certificates, until disposed of as follows: (a) at the delivery of the Certificates and upon compliance with the Successful Bidder's obligation to take up and pay for the Certificates, the full amount of the Deposit held by the State, without adjustment for interest, shall be applied toward the purchase price of the Certificates at that time, and the full amount of any interest earnings thereon shall be retained by the State, and (b) if the Successful Bidder fails to take up and pay for the Certificates when tendered, the full amount of the Deposit plus any interest earnings thereon will be forfeited to the State as liquidated damages.

Action awarding the Certificates or rejection of all bids will be taken no later than three (3) hours after expiration of the time prescribed in this Notice for the receipt of bids. Notice of award will be given promptly to the Successful Bidder. The right is reserved to reject any or all bids and to waive any irregularity or informality in any bid.

The Successful Bidder will be required to provide the State within two (2) hours after the award of the Certificates the initial offering price of the Certificates to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) (the "*Initial Reoffering Prices*"). The Successful Bidder will be required to confirm to the State within 24 hours after the award of the Certificates the first offering prices at which more than 10% of the principal amount of the Certificates has been sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The Successful Bidder shall make a bona fide public offering of the Certificates at the Initial Reoffering Prices and will be required to provide a certificate at closing confirming the Initial Reoffering Prices for purposes of complying with Section 148 of the Internal Revenue Code of 1986, as amended. Such form of certificate is attached as Exhibit I to this Notice and is entitled "Certification of Purchaser."

**The Successful Bidder, as the purchaser of the Certificates, shall be responsible for the payment of all costs of issuance including the fees of Ungaretti & Harris LLP, Chicago, Illinois ("*Bond Counsel*"), the financial and fiscal advisors, the rating agencies, the cost of advertising, the cost of the Parity bidding system and printing expenses. Prior to the date of sale, the State will advise prospective bidders by TM3 wire of the aggregate amounts of such fees and costs to be paid by the Successful Bidder. The Successful Bidder agrees to**

**make payment for such expenses within 15 business days following receipt of invoices presented by the State.**

**The Successful Bidder will request the assignment of a CUSIP number for the Certificates. All expenses for the printing of the CUSIP number, including the CUSIP Service Bureau charge for the assignment of said numbers, shall be the responsibility of and shall be paid for by the Successful Bidder.**

**The Successful Bidder will be required to provide to the GOMB (i) the respective percentages of participation and compensation of each underwriter in the bidding syndicate pursuant to an Agreement Among Underwriters or other arrangement among the members of the bidding syndicate and (ii) an identification of which members in the bidding syndicate are minority owned businesses, female owned businesses and businesses owned by persons with disabilities (as such firms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act of the State, as amended; see 30 ILCS 575/0.01 *et seq.*). Such disclosure will be made part of a publicly disclosed GOMB report and will be posted on the GOMB's website.**

**It is the policy of the State and the GOMB to encourage that at least 5% of the Certificates are underwritten by minority owned firms, at least 5% of the Certificates are underwritten by woman owned firms, and at least 2% of the Certificates are underwritten by firms owned by persons with disabilities. Such firms are also strongly encouraged to assemble bidding groups for the submission of bids.**

**In order for the Successful Bidder to be awarded the Certificates, the Successful Bidder must also certify that it did not and will not pay a contingent fee, whether directly or indirectly, to a third party for having promoted the award of the Certificates to the Successful Bidder.**

PROVISIONS RELATING TO RULE 15C2-12

*Final Official Statement*

Upon the sale of the Certificates, the State will publish an Official Statement in substantially the same form as the Preliminary Official Statement subject to minor additions, deletions and revisions as required to complete the Preliminary Official Statement. By submission of its bid, the Successful Bidder will be deemed to have certified that it has obtained and reviewed the Preliminary Official Statement. The State will provide the Successful Bidder with a reasonable number (not to exceed 100) of final Official Statements at the time of closing. The Successful Bidder agrees to supply to the State all necessary pricing information and any underwriter identification necessary to complete the Official Statement within 24 hours after the award of the Certificates.

The State will deliver at closing a certificate to the effect that the facts contained in the Official Statement relating to the State and the Certificates are correct in all material respects,

and that the Official Statement 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.

### *Continuing Disclosure*

The State covenants and agrees to enter into a written agreement or contract, constituting an undertaking (the "*Undertaking*") to provide ongoing disclosure about the State for the benefit of the beneficial owners of the Certificates on or before the date of delivery of the Certificates as required under Section (b)(5) of Rule 15c2-12 (the "*Rule*") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. As the Certificates have a maturity of less than 18 months, the State is exempt from the provisions of the Rule requiring the delivery of certain annual financial information to the information repositories specified in the Rule. However, the State is required to provide notice of certain material events to certain information repositories as specified in the Rule. The Undertaking is described in the Preliminary Official Statement, with such changes as may be agreed to in writing by the Successful Bidder. The State is in compliance with each and every undertaking previously entered into by it pursuant to the Rule. The obligation of the Successful Bidder to purchase the Certificates shall be conditioned upon the State delivering the Undertaking on or before the date of delivery of the Certificates.

### OTHER MATTERS

The approving opinion of Bond Counsel covering the legality of and Federal tax-exempt status of the interest on the Certificates, form of which is set forth as APPENDIX B in the Preliminary Official Statement, will be furnished at the expense of the Successful Bidder, as the purchaser of the Certificates, as described above, and all bids must be so conditioned. The State will provide the usual closing certificates dated as of the date of delivery of and payment for the Certificates, including a statement that there is no litigation pending, or to the knowledge of the signer thereof, threatened, affecting the legality of the Certificates.

The Certificates are expected to be ready for delivery on or about March 3, 2005, and at delivery will be registered in the name of Cede & Co., as described above. Delivery of the Certificates will be made to DTC in New York, New York, without cost to the Successful Bidder. Payment for the Certificates must be made in Federal Reserve Bank funds which will be immediately available in Chicago on the day of delivery. The Successful Bidder shall have the right, at its option, to cancel its contract to purchase if the Certificates are not tendered for delivery to the Successful Bidder within thirty (30) days from the date of sale thereof, and in such event the Successful Bidder shall be entitled to the return of the Deposit. The State shall have the right, at its option, to cancel the contract of purchase if upon tender of the Certificates for delivery the Successful Bidder shall not have accepted delivery and paid for the Certificates, in which event the Deposit, without adjustment for interest, accompanying such bid shall be forfeited to the State as payment of damages for failure to comply with the contract of purchase for the Certificates.



The Preliminary Official Statement, the Official Notice of Certificate Sale and the Official Bid Form, together with other pertinent information, may be obtained from the State of Illinois, Governor's Office of Management and Budget, Attention: Aaron P. Cook, at 603 Stratton Building, Springfield, Illinois 62706, Telephone: (217) 782-9642, or from Ungaretti & Harris LLP, Bond Counsel, Attention: Raymond C. Fricke, 70 West Madison, Suite 3600, Chicago, Illinois 60602, Telephone: (312) 977-4861.

Dated this 22<sup>nd</sup> day of February, 2005.

ROD R. BLAGOJEVICH  
Governor

JOHN B. FILAN  
Director, Governor's Office of Management and  
Budget

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**OFFICIAL BID FORM**

John B. Filan  
Director, Governor's Office of Management and Budget  
State of Illinois

February \_\_, 2005

Director:

For your State of Illinois, General Obligation Certificates, 2005, dated the date of issuance thereof, we will pay you the sum of \$\_\_\_\_\_ (not less than the par amount of the Certificates) and we hereby bid the interest per annum as follows:

<u>MATURITY DATE</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>
June 3, 2005	\$765,000,000	%

Said Certificates are to be executed and delivered to us in accordance with the terms of this bid accompanied by the approving legal opinion of Ungaretti & Harris LLP, Chicago, Illinois, Bond Counsel.

We hereby certify that we did not and will not pay a contingent fee, whether directly or indirectly, to a third party for having promoted the award of the Certificates to us.

**We hereby further certify that the total costs of issuance and sale for the Certificates, including our underwriter's discount and fees and the issuance costs and fees to be incurred by the State (such aggregate amount of State costs having been disclosed to all prospective bidders by TM3 wire prior to the sale), but excluding bond insurance, is less than 0.5 percent of the principal amount of the proceeds of the Certificates.**

As evidence of our good faith we enclose herewith a check or financial surety bond (the "Deposit") in the amount of \$765,000, in accordance with your Official Notice of Certificate Sale, which is made a part hereof by reference.

Form of Deposit:  
Check One:

Certified/Cashier's Check [ ]  
Financial Surety Bond [ ]

\_\_\_\_\_  
Description of Check (if applicable):  
Amount: \$ \_\_\_\_\_  
Name of Bank \_\_\_\_\_  
\_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_  
Check No. \_\_\_\_\_  
Dated \_\_\_\_\_

Respectfully submitted:  
Name: \_\_\_\_\_  
ACCOUNT MANAGER  
By: \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_  
Telephone \_\_\_\_\_  
E-mail Address \_\_\_\_\_

The above check was returned and received  
for the above named Account Manager.

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

**BIDDERS OPTION INSURANCE**

We have purchased  
insurance from:  
(Check One)

- \_\_\_\_\_ AMBAC
- \_\_\_\_\_ FGIC
- \_\_\_\_\_ FSA
- \_\_\_\_\_ MBIA
- \_\_\_\_\_ XL Capital

Maturities: (Check One)  
\_\_\_\_\_ Years  
\_\_\_\_\_ All

This bid was accepted and Certificates sold on February 24, 2005, and receipt is hereby acknowledged of the Deposit in accordance with the terms of the Official Notice of Bond Sale.

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Director, Governor's Office of Management and  
Budget

\_\_\_\_\_ **Not a Part of Bid** \_\_\_\_\_

For information only, and not as a part of this bid, our calculation of interest cost from above is as follows:

Total Interest	\$ _____
Less Premium	\$ _____
Net Interest Cost	\$ _____
Net Interest Rate	_____ %

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**EXHIBIT I**

**FORM OF CERTIFICATION OF PURCHASER**

(To be provided by the State for execution and delivery by the Successful Bidder at closing)

I, the undersigned, do hereby certify that I am an officer of \_\_\_\_\_  
\_\_\_\_\_ (the "*Purchaser*"), and as such officer I do further certify as follows:

1. The Purchaser and the State of Illinois (the "*State*") have entered into an agreement on February \_\_, 2005 (the "*Sale Date*"), concerning the purchase by the Purchaser from the State of the State of Illinois, General Obligation Certificates of March, 2005, dated the date of issuance thereof (the "*Certificates*"). Said agreement has not been modified since its execution on the Sale Date.

2. The Purchaser hereby confirms that the first offering price at which at least 10 percent of the principal amount of the Certificates shown below has been sold to the public (excluding bond houses, placement agents, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) are equal to the prices shown below:

<u>MATURITY</u> <u>DATE</u>	<u>PRINCIPAL</u> <u>AMOUNT</u>	<u>RATE OF</u> <u>INTEREST</u>	<u>OFFERING</u> <u>PRICE</u>	<u>OFFERING</u> <u>YIELD</u>
June 3, 2005	\$765,000,000	%	\$	%

3. All of the Certificates have been the subject of an initial bona fide offering to the public (excluding bond houses, placement agents, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at the prices set forth in paragraph 2, above. Based upon our assessment of the then prevailing market conditions, the prices shown in paragraph 2 above do not exceed the fair market value of the Certificates as of the Sale Date.

4. The Purchaser did not and will not pay a contingent fee, whether directly or indirectly, to a third party for having promoted the award of the Certificates.

[To be added if Purchaser obtains bond insurance at its own expense (it being understood by all potential bidders that the State is not acquiring bond insurance or any other credit enhancement for the Certificates):

5. The present value of the fee paid for the [Bond Insurance] over the term of the Certificates (using as a discount rate the expected yield on the Certificates treating the fee paid as interest on the Certificates) is less than the present value of the interest reasonably expected to be saved on the Certificates over the term of the Certificates as a result of the [Bond Insurance]. The fee paid for the [Bond Insurance] does not exceed a reasonable, arm's-length charge for the transfer of credit risk.]

IN WITNESS WHEREOF, I hereunto affix my official signature, this \_\_\_\_ day of March, 2005.

[Purchaser]

By \_\_\_\_\_  
Title \_\_\_\_\_