

In the opinion of Mayer Brown LLP and Burke Burns & Pinelli Ltd., Co-Bond Counsel, under existing law, interest on the Series of May 2012 Bonds is not excludable from gross income of the owners thereof for federal income tax purposes and interest on the Series of May 2012 Bonds is not exempt from present Illinois income taxes. See the heading “TAX MATTERS” herein for a more detailed discussion of some of the federal tax consequences of owning the Series of May 2012 Bonds.



\$425,040,000
STATE OF ILLINOIS

BUILD ILLINOIS BONDS
(Sales Tax Revenue Bonds),
Taxable Series of May 2012

Dated: Date of Issue

Due: As shown on the inside cover

The State of Illinois, Build Illinois Bonds (Sales Tax Revenue Bonds), Taxable Series of May 2012 (“Series of May 2012 Bonds”) are issuable 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 nominee of The Depository Trust Company (“DTC”). The Series of May 2012 Bonds will bear interest at the rates shown on the inside cover of this Official Statement. Interest on the Series of May 2012 Bonds will be payable December 15 and June 15 of each year, commencing December 15, 2012. Details of payment of the Series of May 2012 Bonds are described herein.

The Series of May 2012 Bonds are subject to redemption prior to maturity as set forth herein.

The Series of May 2012 Bonds are direct, limited obligations of the State payable solely from the tax revenues and other moneys pledged therefore, subject to certain prior payments required for the benefit of the Build Illinois Bonds (Sales Tax Revenue Bonds) of the State, as described herein. The Series of May 2012 Bonds are not general obligations of the State and are not secured by a pledge of the full faith and credit of the State. The holders of the Series of May 2012 Bonds may not require the levy or imposition of any taxes or the application of other State revenues or funds to the payment of the Series of May 2012 Bonds except for the tax revenues and other moneys pledged to such Bonds.

The Series of May 2012 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Mayer Brown LLP, Chicago, Illinois, and Burke Burns & Pinelli Ltd., Chicago, Illinois, Co-Bond Counsel, and certain other conditions. It is expected that the Series of May 2012 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about May 17, 2012.

Book-Running Senior Manager

KeyBanc Capital Markets Inc.

Co-Senior Managers

George K. Baum & Company

Lebenthal & Co., LLC

Guggenheim Securities, LLC

Co-Managers

Estrada Hinojosa & Company, Inc.

Jackson Securities, LLC

North South Capital LLC

Stern Brothers & Co.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIP NUMBERS

Due June 15,	Principal Amount	Interest Rate	Yield	Price	CUSIP*
2013	\$17,710,000	0.440%	0.440%	100%	452227FC0
2014	17,710,000	0.808	0.808	100	452227FD8
2015	17,710,000	1.064	1.064	100	452227FE6
2016	17,710,000	1.360	1.360	100	452227FF3
2017	17,710,000	1.560	1.560	100	452227FG1
2018	17,710,000	1.998	1.998	100	452227FH9
2019	17,710,000	2.298	2.298	100	452227FJ5
2020	17,710,000	2.681	2.681	100	452227FK2
2021	17,710,000	2.781	2.781	100	452227FL0
2022	17,710,000	2.931	2.931	100	452227FM8
2023	17,710,000	3.081	3.081	100	452227FN6
2024	17,710,000	3.231	3.231	100	452227FP1
2025	17,710,000	3.431	3.431	100	452227FQ9
2026	17,710,000	3.481	3.481	100	452227FR7
2027	17,710,000	3.581	3.581	100	452227FS5

\$159,390,000 4.080% Term Bond due June 15, 2036 Price: 100% CUSIP* 452227FT3

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STATE OF ILLINOIS

\$425,040,000

**STATE OF ILLINOIS
BUILD ILLINOIS BONDS
(SALES TAX REVENUE BONDS),
TAXABLE SERIES OF MAY 2012**



Pat Quinn, Governor

Jerome Stermer

Acting Director of the Governor's Office of Management and Budget

John Sinsheimer

Director of Capital Markets

James Prichard

Manager of Capital Markets

No dealer, broker, salesperson, or other person has been authorized by the State of Illinois (the "State") or the Underwriters to give any information or to make any representation other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell nor the solicitation of an offer to buy, nor shall there be any sale of the Series of May 2012 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinions set forth herein have been furnished by the State and include information from other sources which the State believes to be reliable. Such information and expressions of opinion are 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 since the date thereof.

The Underwriters are authorized to incorporate 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 respective 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.

IN CONNECTION WITH THE OFFERING OF THE SERIES OF MAY 2012 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES OF MAY 2012 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

In making an investment decision, investors must rely on their own examination of the State and the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

References in this Official Statement to statutes, laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive, and all such references are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. This Official Statement is submitted in connection with the sale of the Series of May 2012 Bonds referred to herein and may not be reproduced or used, in whole or in part for any other purposes.

FORWARD-LOOKING STATEMENTS

This Official Statement contains disclosures which contain "*forward-looking statements*." Forward-looking statements include all statements that do not relate solely to historical or current fact, and can be identified by use of words like "may," "believe," "will," "expect," "project," "estimate," "anticipate," "plan," or "continue." These forward-looking statements are based on the current plans and expectations of the State and are subject to a number of known and unknown uncertainties and risks, many of which are beyond its control, that could significantly affect current plans and expectations and the State's future financial position including but not limited to changes in general economic conditions, demographic trends and federal programs which may affect the transfer of funds from the federal government to the State. As a consequence, current plans, anticipated actions and future financial positions may differ from those expressed in any forward-looking statements made by the State herein. Investors are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in the Official Statement.

TABLE OF CONTENTS

SUMMARY OF OFFICIAL STATEMENT	i
INTRODUCTION	1
THE STATE	1
BUILD ILLINOIS	2
THE OFFERING	3
Description of the Series of May 2012 Bonds	3
Debt Service Schedule	4
Optional Redemption	4
Mandatory Sinking Fund Redemption	5
SECURITY FOR THE SERIES OF MAY 2012 BONDS	7
Revenues	8
Build Illinois Fund	9
Retirement and Interest Fund	10
Balance in Build Illinois Fund	10
Indenture Flow of Funds	10
Program Expense Fund	11
Debt Service Reserve Fund	11
Issuance of Additional Senior Bonds	11
Issuance of Additional Junior Obligations	12
Additional Limitations on Issuance of Additional Senior Bonds and Junior Obligations	12
Pledge and State Covenant	13
Sales Tax Revenues	14
OUTSTANDING BONDS - DEBT SERVICE SCHEDULE	16
DEBT SERVICE COVERAGE	17
APPLICATION OF BOND PROCEEDS	17
SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE	18
Source of Payment; Pledge of Revenues	18
Additional Senior Bonds	18
Additional Junior Obligations	20
Covenant Against Pledge of Revenues	20
Establishment of Funds and Accounts	20
Deposit of Revenues	21
Disbursements From Revenue Fund	21
Use of Funds	22
Qualified Investments	23
Valuation of Investments	23
Supplemental Indentures	23

Default and Remedies.....	23
Defeasance.....	24
LITIGATION	25
Tax Protest Litigation	25
Fee Protest Litigation.....	25
Retaliatory Tax Litigation.....	26
TAX MATTERS	26
General	26
Backup Withholding.....	27
Changes in Federal Tax Law	27
CONTINUING DISCLOSURE.....	28
UNDERWRITING	28
CERTAIN LEGAL MATTERS	28
RATINGS.....	28
LEGAL INVESTMENT.....	29
FINANCIAL ADVISOR.....	29
AUTHORIZATION	29
CERTIFICATE OF THE DIRECTOR.....	29
ADDITIONAL INFORMATION	29
MISCELLANEOUS.....	31
APPENDICES	
APPENDIX A - CERTAIN INFORMATION REGARDING THE STATE OF ILLINOIS	A-1
APPENDIX B - FORM OF OPINIONS OF CO-BOND COUNSEL	B-1
APPENDIX C - CERTAIN DEFINITIONS	C-1
APPENDIX D - OUTSTANDING BONDS	D-1
APPENDIX E - GLOBAL BOOK-ENTRY SYSTEM	E-1
APPENDIX F - CONTINUING DISCLOSURE UNDERTAKING	F-1

SUMMARY OF OFFICIAL STATEMENT

THIS SUMMARY IS SUBJECT IN ALL RESPECTS TO MORE COMPLETE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT. THE OFFERING OF THE SERIES OF MAY 2012 BONDS TO ANY PERSON IS MADE ONLY BY MEANS OF THE ENTIRE OFFICIAL STATEMENT. CAPITALIZED TERMS NOT DEFINED HEREIN ARE DEFINED IN APPENDIX C.

THE OFFERING

The Issue	Offering of the State of Illinois through its Build Illinois program.
The Issuer	The State of Illinois.
Build Illinois	The Build Illinois program, initiated in 1985, expands the State's overall efforts in economic development through the funding of projects for infrastructure, educational and vocational facilities, protection of the State's environment and natural resources, and the provision of incentives for business location and expansion in Illinois.
Securities	\$425,040,000 State of Illinois, Build Illinois Bonds (Sales Tax Revenue Bonds), Taxable Series of May 2012 (the "Series of May 2012 Bonds"). Dated the date of their original issue with delivery anticipated on May 17, 2012. The Offering is comprised of bonds maturing June 15 in each of the years 2013 through 2027, inclusive, and 2036.
Interest	Payable semi-annually on December 15 and June 15, commencing December 15, 2012.
Form of Bonds	The Series of May 2012 Bonds will be issued as fully registered, book-entry bonds in the denomination of \$5,000 or any integral multiple thereof. The Series of May 2012 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York.
Use of Proceeds	The Series of May 2012 Bonds are being issued to finance certain of the State's capital projects, make a deposit to the Debt Service Reserve Fund and pay certain costs of issuance, as described herein. See "APPLICATION OF BOND PROCEEDS."
Optional Redemption	The Series of May 2012 Bonds are subject to redemption prior to maturity at the option of the State on any Business Day, in whole or in part, in integral multiples of \$5,000, at a redemption price equal to the Make-Whole Redemption Price. See "THE OFFERING—Optional Redemption."
Mandatory Redemption	The Series of May 2012 Bonds maturing on June 15, 2036 (the "Term Bond") are subject to mandatory sinking fund redemption prior to maturity as provided herein. See "THE OFFERING—Mandatory Sinking Fund Redemption."
Security for the Series of May 2012 Bonds	The Bonds (as herein defined and which include the Series of May 2012 Bonds), are direct limited obligations of the State, payable solely from and secured by an irrevocable, first priority lien on moneys on deposit in the Build Illinois Bond Retirement and Interest Fund, a

separate fund in the State Treasury (“**Retirement and Interest Fund**”), and certain other moneys and securities held by the Trustee under the provisions of the Indenture. The Net State Share of Sales Tax Revenues constitutes the primary source of the moneys which are ultimately transferred from the Build Illinois Bond Account to the Retirement and Interest Fund for payment of debt service on the Bonds. The Bonds have a first and prior claim on these revenue sources until each monthly transfer is made to the Retirement and Interest Fund as required by the Act. The Bonds are not general obligations of the State and are not secured by the full faith and credit of the State. See “SECURITY FOR SERIES OF MAY 2012 BONDS.”

Other Revenues

Public Act 96-36 increased the authorization for the issuance of Bonds by \$810 million and provided that with respect to all Bonds issued pursuant to such increased authorization, required transfers to the Build Illinois Bond Retirement and Interest Fund are to be made, to the extent available, from amounts in the Capital Projects Fund, and if such amounts are insufficient, from the Build Illinois Bond Account. Subsequently, Public Act 96-1554 increased the authorization for the issuance of Bonds by \$1,088 million to its current level of \$5,703,509,000. See “SECURITY FOR THE SERIES OF MAY 2012 BONDS - Revenues.”

Irrevocable and Continuing Appropriation

The Act and the Indenture require the State to appropriate for each Fiscal Year an amount equal to the Required Bond Transfer for such Fiscal Year. The Act further provides that, in the event such appropriation is not made, the Act constitutes an irrevocable and continuing appropriation of such amount and constitutes the irrevocable and continuing authority and direction to the State Treasurer and Comptroller to make the necessary transfers and deposits, as directed by the Governor, and to make the payments as required by the Act. See “SECURITY FOR THE SERIES OF MAY 2012 BONDS - Pledge and State Covenant.”

Additional Senior Bonds

The maximum Net Debt Service Requirement on all Outstanding Senior Bonds and any proposed additional Senior Bonds may not exceed 5% of the State Share of Sales Tax Revenues for the then most recently completed Fiscal Year. As of the date of issuance of any Series of Senior Bonds, Sales Tax revenues for the then most recently completed Fiscal Year must provide not less than 19.65 times the maximum Net Debt Service Requirement for all Outstanding Senior Bonds and for such Series. See “SECURITY FOR THE SERIES OF MAY 2012 BONDS”- Issuance of Additional Bonds.”

Debt Service Reserve

The Indenture requires the State to certify before the issuance of any Senior Bonds that the Debt Service Reserve Requirement (equal to 50% of maximum Aggregate Debt Service) will be met within 24 months from the date of issuance of such Senior Bonds. This certification will be provided in connection with the issuance of the Series of May 2012 Bonds. As of the date of issuance of the Series of May 2012 Bonds, the Debt Service Reserve is fully funded with respect to all previously issued and outstanding Senior Bonds.

Taxability

In the opinion of Mayer Brown LLP and Burke Burns & Pinelli Ltd., Co-Bond Counsel, under existing law, interest on the Series of May

2012 Bonds is includable in the gross income of the owners thereof for federal and Illinois income tax purposes. See the heading "TAX MATTERS" herein for a more detailed discussion of some of the federal tax consequences of owning the Series of May 2012 Bonds.

Ratings

Standard & Poor's Ratings Service ("S&P") has assigned a rating of "AAA" with a Stable Outlook to the Bonds and Fitch Ratings ("Fitch") has assigned a rating of "AA+" with a Stable Outlook to the Bonds. See "RATINGS."

Miscellaneous

Additional information regarding the Series of May 2012 Bonds and this Official Statement is available by contacting the Governor's Office of Management and Budget, 401 South Spring Street, Stratton Building Room 603, Springfield, Illinois 62706; telephone: (217) 782-5886.

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\$425,040,000

**STATE OF ILLINOIS
BUILD ILLINOIS BONDS
(SALES TAX REVENUE BONDS),
TAXABLE SERIES OF MAY 2012**

INTRODUCTION

This Official Statement (which includes the appendices) provides certain information in connection with the issuance by the State of Illinois (“**State**”) of its State of Illinois Build Illinois Bonds (Sales Tax Revenue Bonds), Taxable Series of May 2012 (“**Series of May 2012 Bonds**”), in the aggregate principal amount of \$425,040,000. The State is issuing the Series of May 2012 Bonds pursuant to “An Act to create the Build Illinois Bond Act and creating and amending various Acts in relation thereto”, as amended (30 ILCS 425/1 *et seq.*) (“**Act**”), and pursuant to the Master Trust Indenture entered into by and between the State and U.S. Bank National Association, Chicago, Illinois (as successor trustee to Continental Bank, National Association) as trustee, (“**Trustee**”), dated as of September 15, 1985, as amended and supplemented to date (“**Master Indenture**”), and the Forty-Eighth Supplemental Indenture, dated as of May 1, 2012, by and between the State and the Trustee with respect to the Series of May 2012 Bonds. The Master Indenture and the Forty-Eighth Supplemental Indenture are herein collectively called the “**Indenture**.” The Series of May 2012 Bonds are authorized by the Act and the Indenture to be issued by the State for the Build Illinois program.

The Series of May 2012 Bonds and all additional bonds previously and hereafter issued pursuant to the Act and the Indenture which are secured equally and ratably with the Series of May 2012 Bonds are herein called “**Senior Bonds**.” In June 2010, the State issued \$455,080,000 of its State of Illinois, Build Illinois Bonds (Sales Tax Revenue Bonds) Junior Obligation Series of June 2010 (the “**Series June 2010 Bonds**”), which represented the first issuance of Junior Obligations under the Indenture. The Series June 2010 Bonds and all additional bonds and certain other obligations hereinafter issued pursuant to the Act and the Indenture and designated as Junior Obligations under the Indenture are herein called “**Junior Obligations**.” All Senior Bonds, all Junior Obligations and all additional bonds and other obligations previously and hereafter issued pursuant to the Act and the Indenture are herein called “**Bonds**.” The Series of May 2012 Bonds will be the forty-seventh series of Senior Bonds and the forty-eighth series of Bonds issued under the Act. Prior to the issuance of the Series of May 2012 Bonds, \$2,471,220,868 of Bonds were outstanding on December 31, 2011. Other than the Series June 2010 Bonds, which are Junior Obligations, all Bonds previously issued are Senior Bonds. (For additional information on outstanding Bonds, see Appendix D).

The Indenture constitutes a contract between the State and the holders of all Bonds. Certain 1985 amendments to “An Act in relation to State Finance”, approved June 10, 1919, as amended (“**Finance Act**”), and to the laws imposing the State’s Sales Taxes (“**Sales Tax Acts**”) relating to the payment of and security for the Bonds are also included in the Act. All references to the Act and the Indenture are qualified in their entirety by reference to the complete texts thereof, copies of which are available from the State. All references to the Series of May 2012 Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto contained in the Indenture.

Certain capitalized terms used in this Official Statement and the Indenture are defined in Appendix C and unless otherwise indicated shall have the respective meanings set forth therein.

THE STATE

The State of Illinois, with a population of approximately 12.9 million persons, is a state of diversified economic strength. Measured by per capita personal income, the State ranks third among the ten most populous states and sixteenth overall. (See Table A-8 included in Appendix A). The State ranks sixth among all states in total cash receipts from agriculture (see Table A-4 included in Appendix A), while also ranking among the top states in several measures of manufacturing. The City of Chicago serves as the transportation center of the Midwest and the

headquarters of many of the nation's major corporations and financial institutions. Certain additional information regarding the State, including economic, statistical and financial data, is included in Appendix A. Adverse changes in general economic conditions could impact the future rate of growth reflected in such data, including the growth and volume of retail sales and Sales Tax revenues, which are the primary security for the Bonds.

The State is formally organized according to executive, legislative and judicial functions. The Governor is the chief executive of the State and is generally responsible for the administration of the government exclusive of the offices of other constitutionally-elected officials. The other elected officials of the Executive Branch of the State include the Lieutenant Governor, the Attorney General, the Secretary of State, the Comptroller and the Treasurer. The Auditor General is a constitutional officer appointed and confirmed by the Senate.

The Illinois Constitution provides that all elected officials of the Executive Branch of the State government hold office for four-year terms. The State's current elected constitutional officers are Governor Pat Quinn, Lieutenant Governor Sheila Simon, Attorney General Lisa Madigan, Secretary of State Jesse White, Comptroller Judy Baar Topinka and Treasurer Dan Rutherford. Pursuant to the Illinois Constitution, these officials were elected at a general election in November 2010, and took office as of January 10, 2011. These elected constitutional officials are elected to serve a four-year term.

The legislative power of the State is vested in the General Assembly, which is composed of the Senate and the House of Representatives. Both the Senate and the House of Representatives meet in annual sessions to enact, amend or repeal laws and to adopt appropriation bills. Pursuant to Illinois law, the election of all members of the Senate and the House of Representatives will be held in November 2012.

The judicial branch is composed of the Supreme Court, the Appellate Courts and the Circuit Courts. Pursuant to Illinois law, judicial elections will be held in November 2012.

BUILD ILLINOIS

The Build Illinois program, created by the Act in 1985, expands the State's overall efforts in economic development through the funding of projects within the following categories:

- construction, reconstruction, modernization, and extension of the State's infrastructure;
- development and improvement of educational, scientific, technical and vocational programs and facilities and expansion of health and human services in the State;
- protection, preservation, restoration, and conservation of the State's environmental and natural resources; and
- provision of incentives for the location and expansion of businesses in Illinois resulting in increased employment.

Originally authorized as \$948 million in bonds and \$380 million from current tax revenues, the Build Illinois authorization has been adjusted several times to the current authorization level of \$5,704 million in Bonds.

The table below shows the statutory authorization for all Bonds (other than refunding Bonds) as of March 31, 2012, as adjusted for the Series of May 2012 Bonds.

Build Illinois Bonds
(As of April 30, 2012)

Purpose of Bonds	Amount Authorized	Authorization Used	Authorization Available	<i>May 2012 Issuance</i>
Public Infrastructure and Transportation (Section 4(a) of the Act)	\$3,213,000,000	\$2,809,625,255	\$403,374,745	\$72,722,231
Economic Development (Section 4(b) of the Act)	541,000,000	194,588,594	346,411,406	88,016,855
Education (Section 4(c) of the Act)	1,741,358,100	1,106,248,114	635,109,986	217,020,988
Environmental Protection (Section 4(d) of the Act)	208,150,900	140,087,847	68,063,053	47,279,926
Total	\$5,703,509,000	\$4,250,549,809	\$1,452,959,191	\$425,040,000

In addition to the \$5,704 million of Bonds authorized under the Act for project financing, Bonds may be issued for the purpose of refunding or advance refunding any Bonds previously issued under the Act.

THE OFFERING

Description of the Series of May 2012 Bonds

The Series of May 2012 Bonds will be dated the date of their original issue and will bear interest from their date payable as described below semiannually on December 15 and June 15 of each year, commencing December 15, 2012 at the rates per annum specified on the inside cover page of this Official Statement. Interest on the Series of May 2012 Bonds will be calculated on the basis of a three hundred sixty-day year consisting of twelve thirty-day months.

Purchases of the Series of May 2012 Bonds will be made in denominations of \$5,000 principal amount or any integral multiple thereof, and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Series of May 2012 Bonds. Principal of, premium, if any, and interest on the Series of May 2012 Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Series of May 2012 Bonds. (See APPENDIX E—Global Book-Entry System).

Debt Service Schedule

The following table sets forth for each fiscal year the annual debt service requirements (rounded to the nearest dollar) on the Series of May 2012 Bonds:

Fiscal Year	Principal	Interest	Total
2013	\$17,710,000	\$13,637,215.56	\$31,347,215.56
2014	17,710,000	12,575,162.60	30,285,162.60
2015	17,710,000	12,432,065.80	30,142,065.80
2016	17,710,000	12,243,631.40	29,953,631.40
2017	17,710,000	12,002,775.40	29,712,775.40
2018	17,710,000	11,726,499.40	29,436,499.40
2019	17,710,000	11,372,653.60	29,082,653.60
2020	17,710,000	10,965,677.80	28,675,677.80
2021	17,710,000	10,490,872.70	28,200,872.70
2022	17,710,000	9,998,357.60	27,708,357.60
2023	17,710,000	9,479,277.50	27,189,277.50
2024	17,710,000	8,933,632.40	26,643,632.40
2025	17,710,000	8,361,422.30	26,071,422.30
2026	17,710,000	7,753,792.20	25,463,792.20
2027	17,710,000	7,137,307.10	24,847,307.10
2028	17,710,000	6,503,112.00	24,213,112.00
2029	17,710,000	5,780,544.00	23,490,544.00
2030	17,710,000	5,057,976.00	22,767,976.00
2031	17,710,000	4,335,408.00	22,045,408.00
2032	17,710,000	3,612,840.00	21,322,840.00
2033	17,710,000	2,890,272.00	20,600,272.00
2034	17,710,000	2,167,704.00	19,877,704.00
2035	17,710,000	1,445,136.00	19,155,136.00
2036	17,710,000	722,568.00	18,432,568.00

The Series of May 2012 Bonds maturing on June 15, 2036 are Term Bonds. See “THE OFFERING-Mandatory Sinking Fund Redemption.”

Optional Redemption

The Series of May 2012 Bonds are subject to redemption prior to maturity at the option of the State on any Business Day, in whole or in part, and if in part, selected as described under “—*Redemption Procedure*” below, in integral multiples of \$5,000, at a redemption price equal to the Make-Whole Redemption Price. The State shall retain an independent accounting firm or an independent financial advisor to determine the Make-Whole Redemption Price and perform all actions and make all calculations required to determine the Make-Whole Redemption Price. The Trustee and the State may conclusively rely on such accounting firm’s or financial advisor’s calculations in connection with and determination of the Make-Whole Redemption Price, and neither the Trustee nor the State will have any liability for their reliance. The determination of the Make-Whole Redemption Price by such accounting firm or financial advisor shall be conclusive and binding on the Trustee, the State and the owners of the Bonds.

The “Make-Whole Redemption Price” is the greater of (i) 100% of the principal amount of the Series of May 2012 Bonds to be redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of the Series of May 2012 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series of May 2012 Bonds are to be redeemed, discounted to the date on which the Series of May 2012 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus 25 basis points and accrued and unpaid interest on the Series of May 2012 Bonds to be redeemed on the redemption date.

The “Treasury Rate” is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption

date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series of May 2012 Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. For purposes of this calculation, a “Business Day” means any day other than a Saturday or Sunday or legal holiday or a day on which banking institutions in the State are authorized by law or executive order to close.

Mandatory Sinking Fund Redemption

The Series of May 2012 Bonds maturing on June 15, 2036 (the “Term Bond”) are subject to mandatory sinking fund redemption, in part and selected as described under “—*Redemption Procedure*” below, on June 15 of the years and at a redemption price of par plus accrued interest to the date of redemption in the respective principal amounts shown for such years in the table below.

Series of May 2012 Bonds 2036 Term Bond	
Year	Principal Amount To Be Redeemed
2028	\$17,710,000
2029	17,710,000
2030	17,710,000
2031	17,710,000
2033	17,710,000
2034	17,710,000
2035	17,710,000
2036 (maturity)	17,710,000

The Term Bond shall be subject to mandatory sinking fund redemption from mandatory sinking fund payments that are required to be made in each designated year prior to maturity in amounts sufficient to redeem the principal amount of such Term Bond shown for such years in the above table.

REDEMPTION PROCEDURE

The Series of May 2012 Bonds will be redeemed only in the principal amount of \$5,000 and integral multiples thereof. While the Series of May 2012 Bonds are registered in the Book-Entry Only System and so long as DTC or a successor securities depository is the sole registered owner of such Bonds, if less than all of the Series of May 2012 Bonds are to be redeemed prior to maturity, the State shall instruct DTC to provide for the pro-rata redemption following its procedures as a Pro-Rata Pass-Through Distribution of Principal or if DTC procedures do not allow for pro-rata pass-through distribution of principal, the Series of May 2012 Bonds to be redeemed shall be selected on a pro-rata basis; *provided* that, so long as such Series of May 2012 Bonds are registered in the Book-Entry Only System, the selection for redemption of such Series of May 2012 Bonds will be made in accordance with the operational arrangements of DTC then in effect. See “APPENDIX D—BOOK-ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURES.”

It is the State’s intent that redemption allocations of Series of May 2012 Bonds made by DTC be made on a pro-rata pass-through distribution of principal basis as described above. However, the State cannot provide any assurance that DTC, DTC’s Participants or any other intermediary will allocate the redemption of Series

of May 2012 Bonds on such basis, nor will the State be responsible for any failure of DTC, DTC's Participants or any other intermediary to do so. If the DTC operational arrangements do not allow for the redemption of Series of May 2012 Bonds on a pro-rata pass-through distribution of principal basis, then the Series of May 2012 Bonds to be redeemed will be selected for redemption on a pro-rata basis.

In connection with any repayment of principal of the Series of May 2012 Bonds, including payments of scheduled mandatory sinking fund payments, the Trustee, as bond registrar and paying agent for the Series of May 2012 Bonds ("Bond Registrar") will direct DTC to make a pass-through distribution of principal to the holders of the Series of May 2012 Bonds.

For purposes of calculation of the "*pro rata pass-through distribution of principal*," "*pro rata*" means, for any amount of principal or interest to be paid, the application of a fraction to such amounts where (a) the numerator of which is equal to the amount due to the respective registered owners on a payment date, and (b) the denominator of which is equal to the total original par amount of the Series of May 2012 Bonds of the maturity to be redeemed.

While the Series of May 2012 Bonds are not in book-entry only form, if less than all of the Series of May 2012 Bonds of a given maturity are called for prior redemption, the particular Series of May 2012 Bonds or portions of Series of May 2012 Bonds to be redeemed will be selected on a pro rata basis among the holders of the outstanding Series of May 2012 Bonds of such maturity by application of a fraction the numerator of which is the principal amount of Series of May 2012 Bonds of such maturity held by the holder and the denominator of which is the principal amount of all the Series of May 2012 Bonds of such maturity then outstanding; *provided, however*, that if for a holder of Series of May 2012 Bonds of such maturity the pro rata redemption will not result in a denomination of \$5,000 or an integral multiple thereof (the "*Uneven Amount*"), then the amount to be redeemed allocable to such Uneven Amount will be as determined by the State by direction to the Bond Registrar in any commercially reasonable manner, which may include allocating such additional redemptions by rounding to the nearest denomination of \$5,000 or by lot, or both.

Whenever the Term Bond is redeemed prior to maturity or purchased and cancelled by the State, the principal amount of such Term Bond so redeemed or cancelled shall be credited pro-rata against the unsatisfied balance of future sinking fund installments and final maturity amount established with respect to the Term Bond.

Notice of any redemption of Series of May 2012 Bonds will be sent by certified or first-class mail not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption to the registered owner of each Series of May 2012 Bond (or portion thereof) to be redeemed at the address shown on the registration books of the State maintained by the Bond Registrar, or at such other address as is furnished in writing by such registered owner to the Bond Registrar. In addition to the notice described in the preceding sentence, the Bond Registrar shall notify the registered owners of the Series of May 2012 Bonds to be redeemed of the Make-Whole Redemption Price not later than the Business Day preceding the applicable redemption date.

Failure to give the notice of redemption required above as to any Series of May 2012 Bond, or any defect therein as to any Series of May 2012 Bond, will not affect the validity of the proceedings for the redemption of any other Series of May 2012 Bond. Any notice given as described above shall be conclusively presumed to have been given whether or not actually received by the appropriate addressee. With respect to an optional redemption of any Series of May 2012 Bonds, such notice may, at the option of the State, provide that said redemption is conditioned upon the receipt by the Bond Registrar on or prior to the date fixed for redemption of moneys sufficient to pay the applicable redemption price or Make-Whole Redemption Price, as appropriate. If such moneys are not so received by the redemption date, such redemption notice will be of no force and effect, the State will not redeem such Series of May 2012 Bonds, the applicable redemption price or Make-Whole Redemption Price, as appropriate, will not be due and payable and the Bond Registrar will give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Series of May 2012 Bonds will not be redeemed. Unless the notice of redemption is made conditional as described above, on or prior to any redemption date, the Treasurer shall provide for deposit with the Bond Registrar of an amount of money sufficient to pay the redemption price of all the Series of May 2012 Bonds or portions of Series of May 2012 Bonds which are to be redeemed on that date.

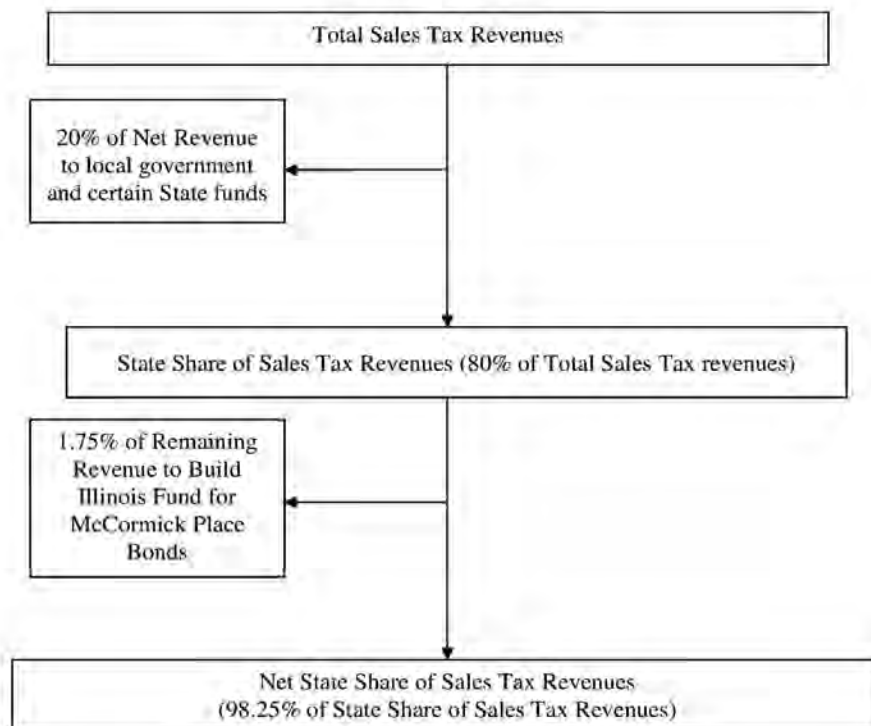
When notice of redemption and the redemption price have been given as hereinabove provided, the Series of May 2012 Bonds or portions of Series of May 2012 Bonds so to be redeemed shall on the date fixed for redemption become due and payable at the redemption price therein specified, and from and after such date, provided that funds are on deposit therefore, such Series of May 2012 Bonds or portions of Series of May 2012 Bonds shall cease to bear interest.

SECURITY FOR THE SERIES OF MAY 2012 BONDS

The Series of May 2012 Bonds are direct, limited obligations of the State payable solely from and secured by an irrevocable, first priority pledge of and lien on moneys on deposit in the Build Illinois Bond Retirement and Interest Fund, a separate fund in the State Treasury (“**Retirement and Interest Fund**”), and certain other moneys and securities held by the Trustee under the Indenture. Under the Act, the State has pledged to the payment of the Bonds, including the Series of May 2012 Bonds, the tax revenues and other moneys from whatever source which by law are required to be deposited into the Build Illinois Fund for the purposes of making the monthly transfers to and payments from the Retirement and Interest Fund as required by the Act (the “**Revenues**” as more specifically defined in Appendix C). Such pledge constitutes a first and prior claim against and charge on the Revenues. The State’s Sales Tax revenues constitute the primary source of payment of debt service on the Bonds, including the Series of May 2012 Bonds. As described below under “Revenues,” twenty percent of the Sales Tax receipts collected under the Sales Tax Acts are distributed to local governments and certain State funds and the remaining eighty percent of such receipts as collected (other than 1.75% of such 80%) are subject to a first and prior claim and charge in support of the Bonds until each monthly transfer to the Retirement and Interest Fund has been made as required by the Act. The “**State Share of Sales Tax Revenues**” include only the State’s 80 percent portion of total collected Sales Tax Revenues. An amount equal to 1.75% of the State’s Share of Sales Tax Revenues are pledged to the payment of debt service on the McCormick Place Bonds (defined below) until the end of the fiscal year 2015. The “**Net State Share of Sales Tax Revenues**” include only 98.25 percent of the State Share of Sales Tax Revenues. The Net State Share of Sales Tax Revenues aggregated \$6,625.7 and \$7,063.8 million for the Fiscal Years ending June 30, 2010 and 2011, respectively. The Net State Share of Sales Tax Revenues aggregated \$6,269.5 for the first ten months of Fiscal Year 2012.

An amount equal to 1.75% of the State Share of Sales Tax Revenues, as well as other State revenues, are pledged to the payment of debt service on \$17.965 million of outstanding (as of the end of fiscal year 2011) Metropolitan Fair (Pier) and Exposition Authority Dedicated State Tax Revenue Bonds, Series 1985, Series 1986 and Series 1986A, and Metropolitan Pier and Exposition Authority Dedicated State Tax Revenue Bonds, Series 1992, Series 1995, Series 1997 and Series 2002 (together with any bonds hereafter issued to refund such bonds, herein called “**McCormick Place Bonds**”). To the extent such pledged tax receipts exceed the amounts required for such debt service on the McCormick Place Bonds, they will be available for payment of debt service on the Series of May 2012 Bonds. Beginning fiscal year 2016 the McCormick Place Bonds will be retired in full and this 1.75% pledge will terminate. At that time, all of the State Share of Sales Tax Revenue will be available for payment of debt service on the Bonds. The Senior Bonds are entitled to priority over other Bonds with respect to payment as set forth in the Indenture. Funds transferred to the Trustee from the Retirement and Interest Fund are required by the Indenture to be deposited first, to pay debt service on Senior Bonds, second, to pay Program Expenses, third, to remedy any deficiencies in the reserve fund maintained for the benefit of the Senior Bonds and then to pay debt service on Junior Obligations. See “**Indenture Flow of Funds**” under this caption.

The chart below demonstrates that portion of the Sales Tax Revenues available as the primary source of payment of debt service on the Bonds.



As hereinafter described in greater detail, the Act and the Indenture require that, on a monthly basis, an amount of Revenues, including the Net State Share of Sales Tax Revenues, equal to the greater of (a) 1/12 of 150 percent of an amount equal to the aggregate of the Aggregate Debt Service on Senior Bonds, Junior Annual Debt Service on Junior Obligations plus amounts required to be deposited into the funds and accounts established by the Indenture, less amounts representing capitalized interest (the “Certified Annual Debt Service Requirement”) or (b) the Tax Act Amount (but in any Fiscal Year not in excess of the greater of the Certified Annual Debt Service Requirement or the Tax Act Amount), be transferred to the Trustee for deposit into the Revenue Fund established by the Indenture. As described in greater detail under the caption “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Disbursements from the Revenue Fund,” the Trustee is required to transfer amounts in the Revenue Fund to the funds and accounts shown below at the times and the amounts described under such caption.

Revenues

Sales Tax. The Sales Tax revenues (“**Sales Tax**” or “**Sales Taxes**”) consist of the receipts of four separate taxes imposed and collected by the State in connection with retail sales of certain tangible personal property and the transfer of tangible personal property incident to a sale of service. The four taxes are (i) the Retailer’s Occupation Tax imposed on persons engaged in the business of selling tangible personal property at retail within the State (this tax is the primary source of Sales Tax revenues); (ii) the Use Tax imposed on the privilege of using tangible personal property in the State; (iii) the Service Occupation Tax imposed on the cost of tangible personal property sold as an incident to service by persons engaged in the business of selling services in the State; and (iv) the Service Use Tax imposed on the privilege of using tangible personal property acquired incidental to a purchase of services. Only one of the four Sales Taxes listed above is imposed on each transaction subject to taxation. The Sales Tax is currently imposed on the gross receipts from the retail sale or the cost price of tangible personal property transferred

by the service person and is collected by the seller from the purchaser except that use taxes imposed on out-of-state purchases may be remitted directly to the State by purchasers. Sales Tax payments are collected by the Illinois Department of Revenue.

The Sales Tax Acts currently impose Sales Taxes at a unified State and local rate of 6.25 percent, consisting of a 5.0 percent State rate portion (representing 80 percent of collections) and a 1.25 percent local rate portion (representing 20 percent of collections). Of the State's 80 percent portion, 1.75% is pledged to the payment of outstanding McCormick Place Bonds. The remaining 98.25% of the State Share of Sales Tax Revenues (the Net State Share of Sales Tax Revenues) is included in the Revenues subject to a first and prior claim and charge for the payment of the Bonds. As noted above, this 1.75% pledge to the payment of outstanding McCormick Place Bonds will terminate at the end of fiscal year 2015.

Illinois Jobs Now Legislation; Capital Projects Fund. In July 2009, legislation referred to as "Illinois Jobs Now Legislation" was enacted into law. The Illinois Jobs Now Legislation established a \$31 billion economic development plan known as Illinois Jobs Now to be funded from a combination of State bonds and federal and local matching funds. As part of Illinois Jobs Now, State funding is to be provided from the following sources to support a \$13 billion, multi-year capital program: increases in motor vehicles fees and fines; increasing the rate of taxation on sales of "candy" and "grooming and hygiene products" from 1% to the general merchandise rate of 6.25%; expanding the definition of "soft drink" so beverages that were not previously considered soft drinks are now also taxed at the rate of 6.25%; increasing taxes on wine, spirits and certain beer products, licensing video gaming terminals; and imposing a tax on net income earned from video gaming; and making certain changes in the conduct of the Illinois Lottery designed to generate additional net income to the State.

The Illinois Jobs Now Legislation also established the Capital Projects Fund as a separate fund in the State Treasury and provided that portions of the funds generated by the revenue sources described in the preceding paragraph be deposited in the Capital Projects Fund and used, subject to appropriation, only for capital projects and the payment of debt service on bonds issued for capital projects, which includes both the Bonds and the State's General Obligation Bonds authorized to be paid from amounts in the Capital Projects Fund. All tax revenues and other moneys required by law to be deposited in the Capital Projects Fund shall be paid therein upon receipt. Public Act 96-36 increased the authorization for the issuance of Bonds by \$810 million and provided that with respect to all Bonds issued pursuant to such increased authorization, required transfers to the Retirement and Interest Fund are to be made to the extent available from amounts in the Capital Projects Fund, and if such amounts are insufficient, from the Build Illinois Bond Account. Subsequently, Public Act 96-1554 increased the authorization for the issuance of Bonds by \$1,088 million to its current level of \$5,703,509,000.

Other Revenues. Amounts equal to 20 percent of the receipts from the 6.25 percent Use Tax and Service Use Tax and 100 percent of the receipts from a 1 percent local Use Tax and Service Use Tax on food and drugs are deposited monthly into the State and Local Sales Tax Reform Fund ("**Reform Fund**") in the State Treasury. \$230.1 million and \$259.9 million was deposited in the Reform Fund for fiscal years 2010 and 2011, respectively. Moneys deposited in the Reform Fund are expended or transferred for various State and local governmental purposes in specified percentages or amounts, including monthly transfers to the Build Illinois Fund for the purpose of making transfers to the Retirement and Interest Fund. The specified monthly transfers to the Build Illinois Fund ("**Reform Fund Amounts**") began in Fiscal Year 1994 and continue through Fiscal Year 2025 at \$3.15 million.

The Reform Fund Amounts, together with the tax receipts pledged to the payment of the McCormick Place Bonds in excess of the debt service requirements thereon, are collectively referred to herein as "**Other Revenues.**" There is no assurance that any of these Other Revenues will be available to pay debt service on the Bonds.

Build Illinois Fund

The Act creates the Build Illinois Fund which is a separate fund in the State Treasury. Pursuant to the Act and the Indenture, all tax revenues and other moneys required by law to be deposited in the Build Illinois Fund shall be paid therein upon receipt.

Pursuant to the Act and the Indenture, an amount not to exceed the "**Annual Specified Amount**" shall be credited to the Build Illinois Bond Account for any such Fiscal Year. The Annual Specified Amount is the greater of (i) an

amount equal to 3.8 percent of the State Share of Sales Tax Revenues (“**Tax Act Amount**”) or (ii) the Certified Annual Debt Service Requirement (“**Transfer Amount**”). On a monthly basis, the greater of the Tax Act Amount or 1/12 of 150% of the Transfer Amount shall be deposited in the Build Illinois Bond Account. This effectively requires that at least 1/8 of 100% of the Transfer Amount be deposited each month so that the entire Transfer Amount is deposited during the first eight months in any Fiscal Year. In Fiscal Year 2011, the Tax Act Amount was \$273.2 million. The Fiscal Year 2012 Transfer Amount, before the issuance of the Bonds, is approximately \$299.5 million. Accordingly, it is expected that the Annual Specified Amount for Fiscal Year 2012 will be \$299.5 million which will be adjusted to take into account the issuance of the Series of May 2012 Bonds. Pursuant to the Act and the Indenture, when additional Bonds are issued during any Fiscal Year, the Transfer Amount for such Fiscal Year shall be adjusted to reflect the issuance of such Bonds.

Moneys credited to the Build Illinois Bond Account are required to be transferred monthly to the Retirement and Interest Fund as described below. Moneys remaining credited to the Build Illinois Bond Account at the end of any month, after all required transfers have been made to the Retirement and Interest Fund, are required to be transferred to other funds of the State in accordance with the Act.

Retirement and Interest Fund

The Retirement and Interest Fund is a separate fund in the State Treasury. The Act and the Indenture provide that the Bonds are secured by an irrevocable, first priority pledge of and lien on moneys on deposit in the Retirement and Interest Fund.

In each Fiscal Year, the amount transferred to the Retirement and Interest Fund (“**Required Bond Transfer**”) is equal to the Annual Specified Amount described above. On a monthly basis, the Act and Indenture provide that on the last day of each month a transfer shall be made from the Build Illinois Fund to the Retirement and Interest Fund in an amount equal to the greater of (a) 1/12th of 150% of the Certified Annual Debt Service Requirement (The Transfer Amount described above) or (b) the Tax Act Amount deposited in the Build Illinois Bond Account during such month, plus any cumulative deficiency in such transfers and payments for prior months; provided that all of such transfers and payments for any such Fiscal Year shall not exceed the greater of (a) the Certified Annual Debt Service Requirement or (b) the Tax Act Amount. Transferring 1/12 of 150% effectively requires transferring at least 1/8 of 100% of the Transfer Amount each month so that the required amount is deposited during the first eight months of each Fiscal Year.

The Act provides that for each Fiscal Year, the State shall make an annual appropriation of an amount equal to the Required Bond Transfer. The Act further provides that it shall constitute an irrevocable and continuing appropriation of an amount equal to the Required Bond Transfer if for any reason the General Assembly fails to make such appropriation for any Fiscal Year. For the Fiscal Year 2012, the General Assembly has appropriated funds totaling \$322 million for this purpose. For the Fiscal Year 2013, the proposed appropriation is \$341 million.

Pursuant to the Act and Indenture, the State Treasurer and Comptroller shall make monthly payments to the Trustee of the amounts on deposit in the Retirement and Interest Fund. Under the Indenture, the Trustee shall deposit the amount so received as described below under the caption “Indenture Flow of Funds.”

Balance in Build Illinois Fund

After making provision for the monthly payment to the Retirement and Interest Fund, the Act provides for monthly credits or transfers of specified amounts from the Build Illinois Fund to various State funds and for transfers of any balance in the Build Illinois Fund to the General Revenue Fund of the State.

Indenture Flow of Funds

The Indenture creates a Revenue Fund, a Debt Service Fund, a Program Expense Fund, a Debt Service Reserve Fund, a Junior Obligation Debt Service Fund and a General Reserve Fund and provides that on the first day of each month the Trustee shall deposit moneys received from the Retirement and Interest Fund into the Revenue Fund and shall promptly apply such moneys as follows:

- (a) **First**, to the Debt Service Fund, an amount equal to the monthly requirement for debt service on the Senior Bonds;
- (b) **Second**, to the Program Expense Fund, an amount equal to the monthly requirement for Program Expenses;
- (c) **Third**, to the Debt Service Reserve Fund, the amount, if any, needed to increase the amount in the Debt Service Reserve Fund so that it equals the Debt Service Reserve Fund Requirement with respect to the Senior Bonds;
- (d) **Fourth**, to the Junior Obligation Debt Service Fund, an amount equal to the amount required by any Supplemental Indentures or other instruments authorizing Junior Obligations; and
- (e) **Fifth**, to the General Reserve Fund, the balance remaining.

Program Expense Fund

The Program Expense Fund is established for the payment of expenses related to the Bonds payable by the State, including the fees and charges of the Trustee, costs of credit or liquidity enhancement arrangements, fees of indexing and remarketing agents and costs of arrangements to limit interest rate risk (“**Program Expenses**”). In Fiscal Year 2011, these expenses paid from this fund totaled \$68,500. For Fiscal Year 2012, these expenses are estimated to total approximately the same amount. For Fiscal Year 2013, these expenses are estimated to total approximately \$70,000.

Debt Service Reserve Fund

Pursuant to the Indenture, the Trustee has established a Debt Service Reserve Fund and is required to deposit moneys until there is an amount on deposit equal to 50 percent of the maximum Aggregate Debt Service on Senior Bonds for the current or any future Fiscal Year (“**Debt Service Reserve Fund Requirement**”). The Act and the Indenture permit the Debt Service Reserve Fund to be funded from either (i) Senior Bond proceeds or (ii) Revenues paid to the Trustee from the Retirement and Interest Fund. The Debt Service Reserve Fund is presently fully funded.

The Indenture requires the State to certify before the issuance of any Series of Senior Bonds that the Debt Service Reserve Fund Requirement, calculated immediately after the issuance of such Series, will be met within 24 months from the date of issuance of such Bonds. This certification will be provided in connection with the issuance of the Series of May 2012 Bonds. As of the date of issuance of the Series of May 2012 Bonds, the Debt Service Reserve is fully funded with respect to all previously issued and outstanding Senior Bonds. Junior Obligations, including the Series June 2010 Bonds, do not have a claim on the Debt Services Reserve Fund.

Issuance of Additional Senior Bonds

The Indenture permits the issuance of additional Senior Bonds, bearing interest at a fixed or variable rate, which would rank equally and ratably with the Series of May 2012 Bonds and other Outstanding Senior Bonds. Additional Senior Bonds may be issued for the purpose of financing projects provided that the following conditions, among others, are met:

- (1) The maximum Net Debt Service Requirement on all Outstanding Senior Bonds and proposed additional Senior Bonds for the current or any future Fiscal Year does not exceed 5 percent of the State Share of Sales Tax revenues for the most recently completed Fiscal Year; and
- (2) The Director of the Governor’s Office of Management and Budget of the State (the “**Director**”) shall certify that the Debt Service Reserve Fund Requirement, calculated immediately after the issuance of such additional Senior Bonds, will be met within 24 months after the date of such issuance.

Additional Senior Bonds may be issued for the purpose of refunding Outstanding Senior Bonds provided that, among others, the following conditions are met:

- (1) Either (a) the maximum Net Debt Service Requirement on all Outstanding Senior Bonds and proposed additional Senior Bonds for the current or any future Fiscal Year does not exceed 5 percent of the State Share of Sales Tax revenues for the most recently completed Fiscal Year; or (b) maximum Aggregate Debt Service for the then current or any future Fiscal Year will not increase as a result of such issuance; and
- (2) The Director shall certify that the Debt Service Reserve Requirement will be met within 24 months after the date of such issuance.

The limitations set forth in (1) above effectively require that on the date of issuance of any Series of Senior Bonds (other than Refunding Bonds that do not increase Aggregate Debt Service in any Fiscal Year), the Net State Share of Sales Tax Revenues for the then most recently completed Fiscal Year must provide not less than 19.65 times coverage of the maximum Net Debt Service Requirement for all Outstanding Senior Bonds and for such Series.

Issuance of Additional Junior Obligations

The Indenture permits the issuance of additional Junior Obligations, which would rank equally and ratably with the Outstanding Junior Obligations. Junior Obligations may be issued for the purpose of financing projects if the greatest amount of the aggregate of the Net Debt Service Requirement on all Outstanding Senior Bonds and the Junior Annual Debt Service on all Outstanding Junior Obligations and the proposed additional Junior Obligations, for the then current or any future Fiscal Year, will not exceed 9.8 percent of the State Share of Sales Tax Revenues received by the State for the most recently completed Fiscal Year.

Additional Junior Obligations may be issued for the purpose of refunding Outstanding Senior Bonds and Junior Obligations if either (1) the greatest amount of the aggregate of the Net Debt Service Requirement on all Outstanding Senior Bonds and the Junior Annual Debt Service on all Outstanding Junior Obligations and the proposed additional Junior Obligations, for the then current Fiscal Year or any future Fiscal Year, will not exceed 9.8 percent of the State Share of Sales Tax Revenues received by the State for the most recently completed Fiscal Year, or (2) the greatest amount of the aggregate of the Net Debt Service Requirement on all Outstanding Senior Bonds and the Junior Annual Debt Service for all Outstanding Junior Obligations and the Junior Obligations proposed to be issued, for the then current Fiscal Year or any future Fiscal Year, will not increase as a result of the issuance of such additional Series.

The limitations set forth above effectively require that, on the date of issuance of any Series of Junior Obligations (other than Refunding Bonds), the Net State Share of Sales Tax Revenues for the then most recently completed Fiscal Year must provide not less than 10.03 times coverage of the greatest amount in any Fiscal Year of the aggregate of the Net Debt Service Requirement for all Outstanding Senior Bonds and the Junior Annual Debt Service on all Outstanding Junior Obligations and for such Series.

The Indenture also permits the issuance of bonds and other obligations that are subordinated to any Outstanding Senior Bonds and Outstanding Junior Obligations.

Additional Limitations on Issuance of Additional Senior Bonds and Junior Obligations

The Act includes certain additional limitations on the issuance of additional Bonds, including a requirement that refunding Bonds may be offered for sale only if the net present value savings to be achieved by the issuance of the refunding Bonds is 3% or more of the principal amount of the refunding Bonds to be issued. These additional requirements may be amended or repealed by the Legislature.

Pledge and State Covenant

The Act and the Indenture require the State to appropriate for each Fiscal Year an amount equal to the Required Bond Transfer for such Fiscal Year. **The Act further provides that, in the event such appropriation is not made, the Act constitutes an irrevocable and continuing appropriation of such Required Bond Transfer and constitutes the irrevocable and continuing authority and direction to the State Treasurer and Comptroller to make the necessary transfers and deposits, as directed by the Governor, and to make the payments as required by the Act.**

Under the Act and the Indenture, the State irrevocably covenants and agrees with the Bondholders not to limit or alter (i) the basis on which taxes and revenues of the State are required to be collected and deposited in the Build Illinois Fund, credited to and transferred from the Build Illinois Bond Account, and transferred to the Retirement and Interest Fund, (ii) the purposes of the Retirement and Interest Fund or (iii) the provisions of specified sections of the Act, so as to impair the obligations of contract incurred by the State in favor of the holders of the Bonds.

Sales Tax Revenues

The following table shows the historical State Share of Sales Tax Revenues received by the State for each of the Fiscal Years ended June 30, 1998 through 2012 year to date (see “Revenues”), and the approximate distributions of those Sales Taxes into General Funds, other State funds, the Build Illinois Fund McCormick Place Bonds and Build Illinois Bond Account.

State Share of Sales Tax Revenues¹ (\$ millions)

Fiscal Year	State Share Sales Tax Revenues ²	Portion to Build Illinois Fund McCormick Place Bonds ³	Net State Share Sales Tax Revenues	Portion to Build Illinois Bond Account ⁴	Portion to Other State Funds ⁵	Portion to General Funds ⁶
1998	\$5,596.0	\$97.9	\$5,498.1	\$212.6	\$37.5	\$5,248.0
1999	5,949.0	104.1	5,844.9	226.1	39.9	5,578.9
2000	6,393.1	111.9	6,281.2	242.9	42.8	5,995.4
2001	6,319.7	110.6	6,209.2	240.2	42.3	5,926.7
2002	6,421.2	112.4	6,308.8	244.0	43.0	6,021.8
2003	6,413.4	112.2	6,301.2	243.7	25.0	6,032.5
2004	6,675.5	116.8	6,558.7	253.7	35.0	6,270.0
2005	7,002.2	122.5	6,879.7	266.1	46.9	6,566.7
2006	7,535.2	131.9	7,403.4	286.3	52.2	7,064.8
2007	7,575.6	132.6	7,443.0	287.9	49.9	7,105.2
2008	7,666.5	134.2	7,532.3	291.3	59.1	7,181.9
2009	7,215.2	126.3	7,088.9	274.2	72.7	6,742.0
2010	6,743.7	118.0	6,625.7	259.0	87.5	6,279.1
2011	7,189.6	125.8	7,063.8	276.8	49.0	6,738.0
2012 ⁷	6,381.2	111.7	6,269.5	242.5	52.6	5,974.4

¹ State Share of Sales Tax Revenues is imposed at a rate of 5%.

² State Share Sales Tax Revenues for fiscal years 1998 through 2012 year to date are from the records of the Illinois Comptroller. These figures do not include Automobile Renting Tax.

³ Approximately 1.75% of the State Share of Sales Tax Revenue is distributed to the Build Illinois Fund McCormick Place Bonds.

⁴ Approximately 3.8% of the State Share of Sales Tax Revenue is distributed to the Build Illinois Bond Account. If needed, additional monies are credited to the account to make the Required Bond Transfer to the Build Illinois Bond Retirement and Interest Fund.

⁵ Historically approximately 0.39% - 1.30% of the State Share of Sales Tax Revenue has been distributed to Other State Funds consisting of the Illinois Tax Increment Fund, the McCormick Place Expansion Project, and the Local Government Distributive Fund.

⁶ Historically approximately 93.11% - 94.06% of the State Share of Sales Tax Revenue is distributed to the General Funds consisting of the General Revenue Fund and the Common School Fund Special Account.

⁷ As of April 30, 2012.

The following table shows the historical Sales Tax revenues each month for the Fiscal Years ended June 30, 2005 through 2012.

Monthly State Share of Sales Tax Revenues

(\$ millions)

<u>Month</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
July	\$594	\$661	\$631	\$663	\$672	\$587	\$581	\$644
August	568	626	694	635	642	571	574	639
September	607	639	652	618	660	567	564	651
October	578	612	657	655	647	554	575	636
November	567	596	617	633	580	527	669	640
December	626	633	676	760	690	614	654	675
January	628	670	693	664	612	594	655	700
February	478	583	551	540	491	469	513	542
March	588	587	544	593	526	523	551	608
April	593	606	584	619	538	586	611	646
May	579	649	623	631	552	558	601	N/A
June	597	674	654	657	605	595	642	N/A
Year Total	\$7,002	\$7,535	\$7,576	\$7,667	\$7,215	\$6,744	\$7,190	N/A

Note: Totals may not sum due to rounding.

OUTSTANDING BONDS - DEBT SERVICE SCHEDULE

The following table shows for each Fiscal Year the annual debt service payments prior to and following the issuance of the Series of May 2012 Bonds.

Fiscal Year	Outstanding Senior Build Illinois Bonds			Junior Obligation Series of June 2010			Build Illinois Series of May 2012			Total Debt Service (\$)
	Principal (\$)	Interest (\$)	Total (\$)	Principal (\$)	Interest (\$)	Total (\$)	Principal (\$)	Interest (\$)	Total (\$)	
2012	133,963,399	114,560,710	248,524,109	30,180,000	20,827,050	51,007,050				299,531,159
2013	148,352,124	110,937,561	259,289,685	31,640,000	19,619,850	51,259,850	17,710,000	13,637,216	31,347,216	341,896,751
2014	139,704,306	95,586,375	235,290,681	47,815,000	18,037,850	65,852,850	17,710,000	12,575,163	30,285,163	331,428,694
2015	133,571,038	89,001,181	222,572,219	51,955,000	15,647,100	67,602,100	17,710,000	12,432,066	30,142,066	320,316,385
2016	110,520,000	74,087,831	184,607,831	76,060,000	13,049,350	89,109,350	17,710,000	12,243,631	29,953,631	303,670,812
2017	97,305,000	68,598,006	165,903,006	74,255,000	9,467,550	83,722,550	17,710,000	12,002,775	29,712,775	279,338,331
2018	103,100,000	63,951,463	167,051,463	53,700,000	5,754,800	59,454,800	17,710,000	11,726,499	29,436,499	255,942,762
2019	116,860,000	58,862,175	175,722,175	26,950,000	3,069,800	30,019,800	17,710,000	11,372,654	29,082,654	234,824,629
2020	94,895,000	52,858,075	147,753,075	32,870,000	1,722,300	34,592,300	17,710,000	10,965,678	28,675,678	211,021,053
2021	94,935,000	48,104,181	143,039,181	1,970,000	78,800	2,048,800	17,710,000	10,490,873	28,200,873	173,288,854
2022	107,365,000	43,446,781	150,811,781				17,710,000	9,998,358	27,708,358	178,520,139
2023	95,040,000	38,159,156	133,199,156				17,710,000	9,479,278	27,189,278	160,388,434
2024	87,780,000	33,452,056	121,232,056				17,710,000	8,933,632	26,643,632	147,875,688
2025	86,585,000	28,984,606	115,569,606				17,710,000	8,361,422	26,071,422	141,641,028
2026	84,660,000	24,749,850	109,409,850				17,710,000	7,753,792	25,463,792	134,873,642
2027	75,845,000	20,534,375	96,379,375				17,710,000	7,137,307	24,847,307	121,226,682
2028	69,740,000	16,567,088	86,307,088				17,710,000	6,503,112	24,213,112	110,520,200
2029	48,705,000	13,033,938	61,738,938				17,710,000	5,780,544	23,490,544	85,229,482
2030	45,580,000	10,578,375	56,158,375				17,710,000	5,057,976	22,767,976	78,926,351
2031	40,580,000	8,370,200	48,950,200				17,710,000	4,335,408	22,045,408	70,995,608
2032	34,580,000	6,318,275	40,898,275				17,710,000	3,612,840	21,322,840	62,221,115
2033	34,580,000	4,566,350	39,146,350				17,710,000	2,890,272	20,600,272	59,746,622
2034	34,580,000	2,814,425	37,394,425				17,710,000	2,167,704	19,877,704	57,272,129
2035	12,500,000	1,125,000	13,625,000				17,710,000	1,445,136	19,155,136	32,780,136
2036	12,500,000	562,500	13,062,500				17,710,000	722,568	18,432,568	31,495,068
Totals	2,043,825,867	1,029,810,533	3,073,636,400	427,395,000	107,274,450	534,669,450	425,040,000	191,625,903	616,665,903	4,224,971,753

DEBT SERVICE COVERAGE

The Net State Share of State's Sales Tax Revenues constitute the primary source of deposits to the Retirement and Interest Fund. The Act provides that the Net State Share of Sales Tax Revenues are subject to a first and prior claim and charge in support of the Bonds until each monthly transfer is made to the Retirement and Interest Fund as required by the Act.

The State Share of Sales Tax Revenues for Fiscal Year 2011 was \$7,189.6 million. After deducting the 1.75 percent of the State Share of Sales Tax Revenues which have been pledged to the payment of currently outstanding McCormick Place Bonds, the Net State Share of Sales Tax Revenues for Fiscal Year 2011 was \$7,063.8 million, which amount was approximately 27.2 times the maximum Net Debt Service Requirement for all Outstanding Senior Bonds (prior to the May 2012 planned issuance) and 22.8 times the maximum Net Debt Service Requirement for all Outstanding Senior and Junior Obligation Bonds (prior to the May 2012 planned issuance).

After the planned issuance of the Series of May 2012 Bonds, the Net State Share of Sales Tax Revenues for Fiscal Year 2011 would provide approximately 24.3 times the maximum Net Debt Service Requirement for all Outstanding Senior Bonds and 20.7 times the maximum Net Debt Service Requirement for all Outstanding Senior and Junior Obligation Bonds.

Further, the limitations established in the Indenture for the issuance of additional Senior Bonds requires that the maximum Net Debt Service Requirement for Outstanding Senior Bonds of all Series and for the proposed Series for the current or any future Fiscal Year not exceed 5 percent of the State Share of Sales Tax Revenues received by the State for the most recently completed Fiscal Year. **Those limitations effectively require that on the date of issuance of any Series of Senior Bonds, Net Share of State Sales Tax Revenues for the then most recently completed Fiscal Year must provide not less than 19.65 times coverage of the maximum Net Debt Service Requirement for all Outstanding Senior Bonds and for such Series.** (See "SECURITY FOR THE SERIES OF MAY 2012 BONDS - Issuance of Additional Bonds").

The limitations established in the Indenture for the issuance of additional Junior Obligations require that the aggregate of (i) the maximum Net Debt Service Requirement for Outstanding Senior Bonds, the Junior Annual Debt Service for all Outstanding Junior Obligations and (ii) the Junior Annual Debt Service for Outstanding Junior Obligations and for the proposed Series for the current or any future Fiscal Year not exceed 9.8 percent of the Net State Share of Sales Tax Revenues received by the State for the most recently completed Fiscal Year. **Those limitations effectively require that, on the date of issuance of any Series of Junior Obligations, the Net Share of State Sales Tax Revenues for the then most recently completed Fiscal Year must provide not less than 10.03 times coverage of the maximum Net Debt Service Requirement for all Outstanding Senior Bonds, the Junior Annual Debt Service for all Outstanding Junior Obligations and for such Series.** (See "SECURITY FOR THE SERIES OF MAY 2012 BONDS – Issuance of Additional Junior Obligations").

APPLICATION OF BOND PROCEEDS

The Act provides that proceeds, net of any accrued interest, from the sale of Bonds (other than refunding Bonds) shall be deposited in the Build Illinois Bond Fund, a separate fund in the State Treasury. The balance of such Bond proceeds remaining in the Build Illinois Bond Fund after making any required deposits into reserve funds may be expended only pursuant to appropriation by the General Assembly. Investment income on the Build Illinois Bond Fund, to the extent not needed for debt service on the Bonds, is deposited in the State's General Revenue Fund.

The proceeds of the sale of the Series of May 2012 Bonds will be applied approximately as set forth below:

Sources:

Principal Amount of Series of May 2012 Bonds	\$425,040,000.00
Total Sources	<u>\$425,040,000.00</u>

Uses:

Deposit for Projects	\$407,288,479.22
Deposit to Debt Service Reserve Fund	15,673,607.78
Underwriters' Discount	1,778,148.00
Issuance Expenses	299,765.00
Total Uses	<u>\$425,040,000.00</u>

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture, to which reference is made for a complete statement of the provisions or contents thereof. Certain capitalized words and terms used in this summary are defined in the Indenture and shall have the same meanings herein as therein, except as otherwise defined in this Official Statement. Certain of such defined words and terms are set forth in Appendix C hereto.

Source of Payment; Pledge of Revenues

The provisions of the Indenture constitute a contract among the State, the Trustee and the Bondholders. The Series of May 2012 Bonds are direct, limited obligations of the State payable solely from and secured by an irrevocable, first priority pledge of and lien on moneys on deposit in the Retirement and Interest Fund and certain other moneys and securities held by the Trustee under the provisions of the Indenture. The State has pledged the Revenues and all moneys and securities held or set aside or to be held or set aside by any Fiduciary under the Indenture to secure the payment of the principal of and premium, if any, and interest on the Series of May 2012 Bonds, such pledge constituting a first and prior claim against and charge on the Revenues and a first priority pledge of and lien on such other moneys and securities, subject only to the provisions of the Indenture requiring or permitting the payment, setting apart or application thereof for or to the purposes and on the terms, conditions, priorities and order set forth in or provided under the Indenture. **The Series of May 2012 Bonds are not general obligations of the State and are not secured by the full faith and credit of the State, and the holders of the Series of May 2012 Bonds may not require the levy or imposition of any taxes or the application of other State revenues or funds to the payment of the Series of May 2012 Bonds, except as specifically provided in the Act and Sections 6z-9 and 8.25 of the Finance Act with respect to the Revenues.**

Additional Senior Bonds

The Indenture permits the issuance of additional Series of Bonds which may be (i) Senior Bonds on a parity with the Series of May 2012 Bonds and other Outstanding Senior Bonds or (ii) Junior Obligations, provided that certain conditions precedent are satisfied, including receipt by the Trustee of the following:

- (a) a copy of a Bond Sale Order signed by the Director and approved by the Governor, (i) authorizing the execution and delivery of a Supplemental Indenture, (ii) stating the identity of the purchasers, aggregate purchase price and date and place of delivery of such Series, (iii) stating that no Event

of Default has occurred and is continuing under the Indenture, (iv) specifying the uses to which the proceeds of the Bonds of such Series shall be applied, including Costs of Issuance, and (v) certifying that the Build Illinois Fund, the Build Illinois Bond Account and the Retirement and Interest Fund have been established in the State Treasury and are being maintained in full accordance with the provisions of the Act and the Finance Act;

- (b) a Counsel's Opinion to the effect that (i) the Indenture and such Supplemental Indenture have been duly and lawfully authorized and executed and are in full force and effect and are valid and binding upon the State, (ii) the Act, the Indenture and such Supplemental Indenture create the valid pledge of Revenues, moneys and securities which they purport to create, and (iii) upon the execution, authentication and delivery thereof, the Bonds of such Series will have been duly and validly authorized and issued;
- (c) an executed counterpart of the Supplemental Indenture; and
- (d) with respect to any proposed Series of Senior Bonds, a Certificate signed by the Director certifying that (i) the maximum Net Debt Service Requirement for Outstanding Senior Bonds of all Series and for the proposed Series for the current or any future Fiscal Year will not exceed 5 percent of the State Share of Sales Tax Revenues received by the State for the most recently completed Fiscal Year, and (ii) an amount at least equal to the Debt Service Reserve Fund Requirement, calculated immediately after the issuance of the proposed Series, will be on deposit in the Debt Service Reserve Fund within 24 months after the date of issuance of such proposed Series. In calculating the Net Debt Service Requirement, interest on any Series of Variable Rate Senior Bonds is required pursuant to Section 711 of the Indenture to be included at the maximum rate permitted under the applicable Supplemental Indenture, less credits for the sum of (i) certain amounts on deposit in the applicable Variable Rate Interest Subaccount as provided in the applicable Supplemental Indenture, and (ii) amounts required to be deposited in the Variable Rate Interest Subaccount pursuant to agreements with Qualified Financial Institutions for the purpose of limiting interest rate risk, and (iii) beginning in Fiscal Year 1994, and while the amount on deposit in the Debt Service Reserve Fund is at least equal to the Debt Service Reserve Fund Requirement, additional amounts not to exceed 50 percent of the maximum rate permitted under the Supplemental Indenture.

The delivery of Bonds of any Series shall also be subject to the delivery to the Director, the Comptroller and the Treasurer of a Certificate signed by the Trustee, certifying (i) the Annual Debt Service or the Junior Annual Debt Service, as the case may be, for the Series of Bonds then being issued and the total Aggregate Debt Service and Junior Annual Debt Service on all then Outstanding Bonds payable on all future Payment Dates and (ii) the amount of principal of and interest and premium, if any, on all such Bonds payable on each future Payment Date.

The issuance of refunding Bonds of any Series shall be subject to the receipt by the Trustee of:

- (a) The documents referred to in paragraphs (a) through (d) above, provided that, with respect to a proposed Series of Senior Bonds, in lieu of the Certificate described in paragraph (d) above, the State may deliver a Certificate certifying that the maximum Aggregate Debt Service for the then current or any future Fiscal Year shall not increase as a result of such issuance of Refunding Bonds;
- (b) If a redemption of Bonds is to be effected, irrevocable instructions to the Trustee to give due notice of redemption of all the Bonds to be redeemed and the redemption date or dates, if any, upon which such Bonds are to be redeemed;
- (c) If a redemption of Bonds is to be effected and the redemption is scheduled to occur subsequent to the next succeeding 45 days, irrevocable instructions to the Trustee to give notice of redemption of such Bonds on a specified date prior to their redemption date; and

- (d) A certificate of an Independent Accountant stating that the amount of moneys and Federal Obligations and Qualified Investments described in paragraphs (f) and (g) of the definition thereof deposited with the Trustee are sufficient to pay when due the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date or dates or the date or dates of maturity thereof.

Additional Junior Obligations

The Indenture permits the issuance of additional Series of Junior Obligations on a parity with other Outstanding Junior Obligations provided that certain conditions in addition to the requirement for the issuance of Senior Bonds described above are satisfied, including receipt by the Trustee with respect to any Series of Junior Obligations proposed to be issued, other than a Series proposed to be issued as refunding Bonds, a Certificate signed by the Director certifying that, as of the time immediately following the issuance of such Series, the greatest amount of the aggregate of (A) the Net Debt Service Requirement for Outstanding Senior Bonds and (B) the Junior Annual Debt Service, for the then current or any future Fiscal Year, will not exceed 9.8% of the State Share of Sales Tax Revenues received by the State for the most recently completed Fiscal Year. The issuance of refunding Junior Obligations on a parity with other Junior Obligations is permitted provided that certain conditions in addition to the requirements for the issuance of refunding Senior Bonds described above are satisfied, including receipt by the Trustee of either (1) the Certificate of the Director required for the issuance Junior Obligations for project purposes described in the preceding paragraph or (2) a Certificate of the Director, certifying that, as of the time immediately following the issuance of such Series, the greatest amount of the aggregate of (A) the Net Debt Service for Senior Bonds and (B) the Junior Annual Debt Service, for the then current or any future Fiscal Year, shall not increase as a result of the issuance of such Series.

Covenant Against Pledge of Revenues

The State has covenanted that it will not issue or authorize the issuance of any bonds, notes or other evidences of indebtedness secured by the pledge of Revenues contained in the Indenture, other than the Bonds, and that it will not create or cause to be created any pledge, lien or charge on Revenues or on any other amounts pledged for the benefit of owners of Bonds under the Indenture, other than the pledge of Revenues contained in the Indenture, provided, however, that the State may (a) issue or authorize the issuance of bonds, notes or other evidences of indebtedness payable out of, or secured by a pledge of, Revenues to be derived after the pledge contained in the Indenture has been discharged or (b) issue or authorize the issuance of bonds, notes or other evidences of indebtedness which are payable out of, or secured by the pledge of, amounts which may be withdrawn from the General Reserve Fund so long as such pledge is expressly junior and subordinate to the pledge of Revenues contained in the Indenture.

Establishment of Funds and Accounts

The Indenture creates the following Funds and Accounts to be held and administered by the Trustee:

- (a) The Revenue Fund;
- (b) The Debt Service Fund and four separate Accounts therein to be known as the Capitalized Interest Account, the Interest Account, the Principal Account and the Variable Rate Account;
- (c) The Program Expense Fund;
- (d) The Debt Service Reserve Fund;
- (e) The Junior Obligation Debt Service Fund; and
- (f) The General Reserve Fund and a separate Account therein to be known as the Net Debt Service Account.

In addition, the State has established in the State Treasury and agrees to maintain in accordance with the requirements of the Act and the Finance Act, the Build Illinois Bond Fund, the Build Illinois Fund (including the Build Illinois Bond Account established therein) and the Retirement and Interest Fund.

The Trustee shall, at the written request of the State, establish additional Accounts and subaccounts for the purpose of identifying more precisely the sources of payments into and disbursements from such Funds, Accounts and subaccounts. Additional Accounts and subaccounts may also be created by any Supplemental Indenture.

Deposit of Revenues

All Revenues shall be promptly deposited by the State in Capital Projects Fund or the Build Illinois Fund, as applicable, credited to the Build Illinois Bond Account, transferred to the Retirement and Interest Fund and paid to the Trustee for deposit in the Revenue Fund, all as provided in the Act and Sections 6z-9 and 8.25 of the Finance Act.

The State has appropriated for its Fiscal Year ending June 30, 2012, the sum of \$322 million to provide for the repayment of Bonds and required deposits into Funds and Accounts under the Indenture. For the Fiscal Year 2013, the proposed appropriation is \$341 million. The State has covenanted that the Governor shall include in each annual State Budget and the General Assembly shall annually appropriate for each Fiscal Year the Required Bond Transfer from the Retirement and Interest Fund in an amount estimated to equal the greater of (a) the Certified Annual Debt Service Requirement for such Fiscal Year or (b) the Tax Act Amount for such Fiscal Year. For the purposes of implementing such appropriations and the transfers and payments required to be made to the Trustee, the Trustee shall deliver a Certificate to the Director, the Comptroller and the Treasurer on or before each June 20 so long as Bonds remain Outstanding, certifying the Certified Annual Debt Service Requirement for the next succeeding Fiscal Year. The Required Bond Transfer for each Fiscal Year shall be equal to the Certified Annual Debt Service Requirement as so certified in such Certificate unless the Tax Act Amount for such Fiscal Year shall be greater than such Certified Annual Debt Service Requirement, in which case the Required Bond Transfer for such Fiscal Year shall be equal to such Tax Act Amount; provided, however, that if Bonds are issued during any such Fiscal Year the Certified Annual Debt Service Requirement for such Fiscal Year shall be increased to reflect the issuance of such Bonds to the extent such issuance was not reflected in the Certified Annual Debt Service Requirement previously certified for such Fiscal Year. The State has covenanted and agreed that in the event the Required Bond Transfer is not made for any Fiscal Year as required under the Indenture and the Act, the Act shall constitute an irrevocable and continuing appropriation of such Required Bond Transfer and the continuing, irrevocable authority for and direction to the Treasurer and the Comptroller to make the necessary transfers and deposits, as directed by the Governor, and to make the payments specified in Sections 6z-9 and 8.25 of the Finance Act and as provided in the Indenture.

The State has covenanted that the Treasurer and the Comptroller shall, on the last day of each month, transfer from the Build Illinois Bond Account to the Retirement and Interest Fund and pay from such Fund to the Trustee for deposit in the Revenue Fund an amount equal to the greater of (a) 1/12th of 150 percent of the Certified Annual Debt Service Requirement or (b) the Tax Act Amount deposited in the Build Illinois Bond Account during such month, plus any cumulative deficiency in such transfers and payments for prior months; provided that all of such transfers and payments for any such Fiscal Year shall not exceed the greater of (a) the Certified Annual Debt Service Requirement or (b) the Tax Act Amount. See "SECURITY FOR THE SERIES OF MAY 2012 BONDS."

Disbursements From Revenue Fund

On the first day of each month the Trustee shall make the following deposits from amounts on deposit in the Revenue Fund in the manner and order of priority set forth:

First: To the Debt Service Fund, an amount equal to 1/12th of 150 percent of the aggregate amount of Principal Installments and interest included in the Annual Debt Service for all Series of Senior Bonds for the then current Fiscal Year, such amounts to be allocated among the Interest Account, the Principal Account and the Variable Rate Account;

Second: To the Program Expense Fund, an amount equal to the amount, if any, required for Program Expenses;

Third: To the Debt Service Reserve Fund, the amount, if any, necessary to increase the amount on deposit in the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement;

Fourth: To the Junior Obligation Debt Service Fund, the amount, if any, equal to the amount required by any Supplemental Indentures or other instruments authorizing the issuance of Junior Obligations; and

Fifth: To the General Reserve Fund, the balance remaining.

Use of Funds

The moneys on deposit in the Funds and Accounts listed above shall be used for the purposes and uses specified as follows:

- (a) The moneys in the Interest Account shall be used only for the payment of the interest on Fixed Rate Senior Bonds. The moneys in the Principal Account shall be used only for the payment of Principal Installments on Fixed Rate Senior Bonds. Moneys on deposit in the Variable Rate Account and which have been credited to Variable Rate Interest Subaccounts and Variable Rate Principal Subaccounts therein as may have been created for the benefit of a Series of Variable Rate Senior Bonds shall be used for the purposes specified in the Supplemental Indenture creating such Series.
- (b) The moneys in the Program Expense Fund shall be used to pay Program Expenses as directed in Certificates filed by the Director with the Trustee.
- (c) The moneys in the Debt Service Reserve Fund shall be used for the payment of the interest and Principal Installments (other than Subordinated Interest or Subordinated Principal Installments) on Senior Bonds, whenever and to the extent moneys in the Interest Account, the Principal Account and the Variable Rate Account, respectively, are insufficient therefor.
- (d) The moneys in the Junior Obligation Debt Service Fund shall be transferred by the Trustee to the appropriate trustees or paying agents under the Supplemental Indenture or other instrument authorizing the issuance of Junior Obligations for the purpose of paying such amounts as may be required to be paid by such Supplemental Indenture or other instrument.
- (e) The moneys in the General Reserve Fund shall be used for the payment of the interest and Principal Installments on Bonds whenever and to the extent moneys in the Interest Account, the Principal Account, the Variable Rate Account, the Debt Service Reserve Fund, and the Junior Obligation Debt Service Fund, respectively, are insufficient therefor. At the direction of the State, moneys in the General Reserve Fund may be withdrawn and deposited in trust to purchase or redeem or pay or otherwise provide for the payment of Bonds of any Series or of Section 209 Obligations provided the purchase price does not exceed par or the next Redemption Price. At the direction of the State, expressed in a Certificate signed by the Director and filed with the Trustee, moneys, Federal Obligations and Qualified Investments described in paragraphs (f) and (g) of the definition thereof in the General Reserve Fund shall be set aside and held in trust, together with the interest thereon, in the Net Debt Service Account for the sole and exclusive purpose of paying the principal of and premium, if any, and interest on Senior Bonds. The State has reserved the right to direct the Trustee in writing at any time to pay to the State or to such fund, account or official of the State as may be specified in such direction, on any June 15, for any purpose of the State now or hereafter authorized by law, all or any part of the moneys on deposit in the General Reserve Fund; provided, however, that no such payment shall include any amounts set aside in trust in the Net Debt Service Account or any other moneys which have been committed, reserved or restricted pursuant to any Supplemental Indenture or instrument authorizing Section 209 Obligations; and, further provided that no such payment may be made at any time during the existence and continuation of an Event of Default.

- (f) If at any time the aggregate amount of all moneys held in all Funds and Accounts established and created under and pursuant to the Indenture shall be sufficient, as certified by the Director, to purchase or redeem or pay or otherwise provide for the payment of all Outstanding Bonds, such amount shall be irrevocably set aside in trust for such purpose in the manner summarized under “Defeasance” under this caption and shall not be used thereafter for any other purpose.

Qualified Investments

All moneys held in any Fund or Account shall be invested in Qualified Investments at the direction of the Director.

Valuation of Investments

In computing the amount in any Fund or Account, investments shall be valued at amortized cost.

Supplemental Indentures

A Supplemental Indenture which is not contrary to or inconsistent with the Indenture may be adopted at any time and shall be fully effective without the consent of the Bondholders for the following purposes: to limit the issuance of Bonds or other indebtedness; to add covenants, agreements, limitations and restrictions to be observed by the State; to surrender any right, power or privilege reserved to the State; to authorize a Series of Bonds; to confirm, as further assurance, the pledge of the Indenture; to modify any of the provisions of the Indenture but only if such modification shall be effective only after all Bonds Outstanding at the date of the adoption of such Supplemental Indenture shall cease to be Outstanding; to increase the Required Bond Transfer; and to authorize Section 209 Obligations.

A Supplemental Indenture may be adopted at any time and shall be fully effective upon the consent of the Trustee for the following purposes: to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture; or to provide additional duties of the Trustee under the Indenture.

Any other modification or amendment of the Indenture or of any Supplemental Indenture or of the rights and obligations of the State and of the holders of the Bonds may be made by a Supplemental Indenture, with the written consent given as provided in the Indenture (a) of the holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, (b) in case less than all of the several Series of the then Outstanding Bonds are affected by the modification or amendment, of the holders of at least two-thirds in principal amount of the then Outstanding Bonds of each Series so affected, and (c) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the then Outstanding Bonds of the particular Series and maturity entitled to such Sinking Fund Payment. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

Default and Remedies

Each of the following events shall be an “Event of Default”:

- (a) Payment of the principal or Redemption Price, if any, of any Bond shall not be made when and as the same shall become due, whether at maturity or upon call for redemption or otherwise;
- (b) Payment of any installment of interest on any Bond shall not be made within 30 days after the same shall become due;
- (c) The State shall fail or refuse to comply with the provisions of the Indenture, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained

therein or in the Bonds which materially affects the rights of the owners of the Bonds and such failure, refusal or default shall continue for a period of 30 days after written notice thereof by the Trustee or the owners of not less than 25 percent in principal amount of the Outstanding Bonds; provided, however, that so long as the State is exercising due diligence if such default cannot be cured within the 30-day period, the time to cure shall be extended for such period as may be necessary to remedy the default with all due diligence;

- (d) An Event of Default shall occur and be continuing under the provisions of any Supplemental Indenture; or
- (e) An Event of Default shall occur and be continuing under any Supplemental Indenture or other instrument creating any Section 209 Obligations.

Upon the happening and continuance of any Event of Default specified in paragraph (a) or (b) above, the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in paragraph (c), (d) or (e) above, the Trustee may proceed, and upon the written request of the owners of not less than 25 percent in principal amount of the Outstanding Bonds, shall proceed, to protect and enforce its rights and the rights of the owners of the Bonds by such of the following remedies or any additional remedies specified in one or more Supplemental Indentures as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

- (i) By mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the owners of the Bonds including the right to require the State to receive and collect Revenues adequate to carry out the covenants and agreements as to such Revenues and the pledge of the Indenture and to require the State to carry out any other covenant or agreement with the owners of the Bonds and to perform its duties under the Indenture;
- (ii) By bringing suit upon the Bonds;
- (iii) By action or suit in equity, require the State to account as if it were the trustee of an express trust for the owners of the Bonds; or
- (iv) By action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds.

In the enforcement of any rights and remedies under the Indenture, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the State but only out of moneys pledged as security for the Bonds for principal, Redemption Price, interest or otherwise, under any provision of the Indenture or any Supplemental Indenture or of the Bonds and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds without prejudice to any other right or remedy of the Trustee or of the owners of the Bonds, and to recover and enforce a judgment or decree against the State for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available under the Indenture for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

Defeasance

If the State shall pay or cause to be paid the principal and interest and Redemption Price, if any, to become due on the Bonds of any Series or maturity of a Series, at the times and in the manner stipulated therein and in the Indenture, then, with respect to such Bonds, the pledge of Revenues provided by the Indenture and all other rights granted thereby shall be discharged and satisfied.

Bonds of any Series or maturity within any Series shall be deemed to have been paid if (a) there shall have been deposited with the Trustee either moneys or Federal Obligations and Qualified Investments described in paragraphs (f) and (g) of the definition thereof maturing and bearing interest at times and in amounts sufficient, together with

the moneys on deposit with the Trustee for such purpose, to pay when due the principal or Redemption Price, if any, and interest to become due on said Bonds, and (b) in case any of said Bonds are to be redeemed on any date prior to their maturity the State shall have given to the Trustee in form satisfactory to it irrevocable instructions to redeem such Bonds.

LITIGATION

There is no litigation pending, or to the knowledge of the State threatened, in any way questioning the title of the State officials to their respective offices or any proceedings of the State incident to the authorization and issuance of the Bonds, or in any way concerning the validity or enforceability of the Bonds. However, there is certain litigation as described below that may affect the manner of payment or the appropriation for the payment of the Series of May 2012 Bonds.

The following describes certain pending lawsuits in Illinois:

Tax Protest Litigation

In the case *Bambeneck v. Hynes*, No. 09-MR-136 (Champaign County), petitioner seeks leave to file a taxpayer action that would enjoin the disbursement of monies until the State enacts a balanced budget. Petitioner has taken no action since the State objected to the petition in August, 2009.

Fee Protest Litigation

In November 2004, the Circuit Court of Cook County ruled that the imposition of a surcharge on workers' compensation insurance policies coupled with a mechanism to transfer a portion of surcharge proceeds to the State's General Funds pursuant to Public Act 93-32 was unconstitutional. As a result, the court escrowed \$11.5 million of surcharge proceeds pending final disposition of the case. The State appealed the ruling directly to the Illinois Supreme Court. The Court heard argument in May 2005 and in October 2005 released its opinion reversing the lower court's order granting plaintiff summary judgment and remanding the matter to the circuit court for further proceedings. In October 2005, on the State's motion, the trial court released approximately \$1.4 million from escrow to fund Illinois Workers' Compensation Commission ("IWCC") operations through November 2005. The court further agreed to the future release, on a monthly basis upon the State's petition, of amounts sufficient to fund ongoing IWCC operations. Since October 2005, the IWCC has on a regular basis requested and the Circuit Court of Cook County has released monies sufficient to fund the IWCC's on-going operations. As of November 2009, approximately \$22.8 million remained in escrow. In addition, the trial court has allowed certain insurance companies to make surcharge payments into the Protest Fund. As of November 2009, approximately \$58 million in such payments have been deposited into the Protest Fund. The case has been settled. The money in escrow and the protest funds were deposited in a court settlement fund for use by the Illinois Workers' Compensation Commission for capital improvements and to pay possible liabilities to the Rate Adjustment Fund, upon application for and receipt of permission by the Circuit Court of Cook County.

Several other special interest groups have filed similar actions challenging the constitutionality of fee increases and the application of legislatively-mandated transfer mechanisms. In an action brought in Sangamon County in December 2004, a group of trade associations representing depository institutions and mortgage lenders challenged the assessment of fees on and application of certain provisions of the Illinois Finance Act to their industries. In March 2005, a Sangamon County judge issued a preliminary injunction barring further transfers from the funds at issue pending resolution of the matter. In approximately March, 2008, the State entered into an agreement to settle the litigation with the plaintiff trade associations. Under the terms of the executed settlement agreement, the State retained approximately \$50.6 million from the funds at issue, as well as the right to periodically access 10% of the balance of those funds through January 2011. The case was dismissed in accordance with the settlement agreement in June 2009.

In May and June 2006, trade associations representing property and casualty insurance and real estate sales interests, respectively, filed similar actions in Sangamon County challenging certain fees and transfers of funds. The

Sangamon County Court entered orders preliminarily preventing the State from transferring monies from the funds at issue, pending further consideration of the matters.

In January 2008, in the property and casualty insurance case, the Sangamon County Court denied the plaintiff's motion for summary judgment, holding that the statutory authorization to transfer money from the relevant fund was controlling over an earlier statutory prohibition for such fund transfers. Finally, in the real estate sales' litigation, the State's motion to dismiss remains pending before the Sangamon County Court.

In June 2006, a motorcyclist's organization filed an action similar to the property and casualty insurance case in Sangamon County challenging certain fees and transfers of funds. The Sangamon County Court denied the plaintiffs' motion for a temporary restraining order as to all but two funds; plaintiffs had previously sought to enjoin transfers from 39 state funds. In November 2006, the Sangamon County Court granted the State's motion to dismiss the motorcyclists' litigation as to two State funds, and in October 2008, the Sangamon County Court granted the State's motion for summary judgment the motorcyclists' litigation with respect to the final State fund. Following the Sangamon County Court's denial of the motorcyclists' motion to reconsider in January, 2009, the motorcyclists filed an appeal with the Illinois Appellate Court. The appellate court issued its decision on May 3, 2010. The Supreme Court granted Plaintiffs' Petition for Leave to Appeal on September 28, 2010. The case was argued on March 23, 2011. The Supreme Court affirmed the judgment of the appellate court on October 27, 2011. The Supreme Court issued the mandate in this case on December 2, 2011.

In early 2005, a Sangamon County Court dismissed a suit similar to those described above filed by an aggregate producers' industry association to challenge an increase in permit fees and the transfer of a portion of the funds generated by the fee increase to the State's General Funds. In May 2005, the Illinois Appellate Court upheld the trial court's dismissal, rejecting the plaintiff's challenges to the fees and transfers. The Illinois Supreme Court subsequently refused the plaintiffs' request for review, letting stand the Appellate Court's order upholding dismissal. The State thereafter obtained release of approximately \$1.1 million, which had been held in escrow during the litigation.

Retaliatory Tax Litigation

In May 2005, the Director of Insurance assessed Sun Life Assurance Company of Canada approximately \$4 million in additional tax owed pursuant to the so-called "retaliatory" statute (215 ILCS 5/444). Sun Life objected to the assessment and filed an action seeking a declaration that the tax is unconstitutional and in violation (among other reasons) of the Commerce Clause. The company sought and obtained an injunction barring the State from collecting the tax. The State prevailed in both the trial and appellate courts, and on November 29, 2007, the United States ("U.S.") Supreme Court affirmed the trial and appellate courts in all regards, holding that Illinois' insurance retaliatory tax law does not discriminate against non-U.S. insurers. The court further held that federal law, and specifically the McCarran-Ferguson Act, imposes no limits on a state's authority to assess retaliatory taxes on alien insurers. In a separate action, John Hancock Life Insurance Company filed suit in Cook County challenging the State's collection of approximately \$7 million in retaliatory tax. On January 2, 2008, the trial court granted summary judgment for the State, holding that the application of the retaliatory tax to this company on these facts did not violate the Illinois Constitution's Uniformity Clause. In August of 2008, Hancock filed an appeal in Illinois Appellate Court. On February 11, 2010, the Illinois Appellate Court affirmed the judgment of the trial court.

TAX MATTERS

GENERAL

In the opinion of Co-Bond Counsel, under existing law, interest on the Series of May 2012 Bonds is not excludable from gross income of the owners thereof for federal income tax purposes. Co-Bond Counsel is also of the opinion, under existing law, that interest on the Series of May 2012 Bonds is not exempt from income taxes imposed by the State. Co-Bond Counsel expresses no opinion regarding any other federal or state tax consequences relating to acquisition, ownership or disposition of, or the accrual or receipt of interest on the Series of May 2012 Bonds. Prospective purchasers of the Series of May 2012 Bonds should consult their own tax advisors as to the federal,

state, local and foreign tax consequences of their acquisition, ownership or disposition of, or the accrual or receipt of interest on the Series of May 2012 Bonds.

CIRCULAR 230 DISCLAIMER

The description of certain tax matters under the heading “General,” above, prepared by Co-Bond Counsel, is not intended by Co-Bond Counsel to be used, and cannot be used by any purchaser of the Series of May 2012 Bonds, for the purpose of avoiding penalties that may be imposed on such purchaser. This advice is written to support the promotion or marketing of the Series of May 2012 Bonds.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of the principal United States federal income tax consequences of ownership of the Series of May 2012 Bonds. It deals only with Series of May 2012 Bonds held as capital assets by initial purchasers, and not with special classes of holders, such as dealers in securities or currencies, banks, tax-exempt organizations, life insurance companies, persons that hold Bonds that are a hedge or that are hedged against currency risks or that are part of a straddle or conversion transaction, or persons whose functional currency is not the U.S. dollar. The summary is based on the Internal Revenue Code, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, perhaps with retroactive effect.

Prospective purchasers of the Series of May 2012 Bonds should consult their own tax advisors concerning the consequences, in their particular circumstances, under the Code and the laws of any other taxing jurisdiction, of ownership of Bonds.

PAYMENTS OF INTEREST

Interest on the Series of May 2012 Bonds will be taxable to holders thereof as ordinary income at the time it is received or accrued, depending on the holder’s method of accounting for tax purposes in accordance with generally applicable principles.

SALE AND RETIREMENT OF THE SERIES OF MAY 2012 BONDS

Holders of the Series of May 2012 Bonds will recognize gain or loss on the sale, redemption, retirement or other disposition of such Series of May 2012 Bonds. The gain or loss is measured by the difference between the amount realized on the disposition of the Series of May 2012 Bonds and the Holder’s adjusted tax basis in the Series of May 2012 Bond. Such gain or loss will be capital gain or loss, except to the extent of accrued market discount not previously included in income, and will be long term capital gain or loss if at the time of disposition such Series of May 2012 Bond has been held for more than one year.

NET INVESTMENT INCOME

For taxable years beginning after December 31, 2012, certain non-corporate U.S. Holders will be subject to a 3.8 percent tax, in addition to regular tax on income and gains, on some or all of their “net investment income,” which generally will include interest, original issue discount and market discount realized on a Series of May 2012 Bond and any net gain recognized upon a disposition of a Series of May 2012 Bond. U.S. Holders should consult their tax advisors regarding the applicability of this tax in respect of their Series of May 2012 Bonds.

BACKUP WITHHOLDING

Information reporting will apply to payments of interest made by the State, or the proceeds of the sale or other disposition of the Series of May 2012 Bonds with respect to certain non-corporate U.S. holders, and backup withholding may apply unless the recipient of such payment supplies a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against that holder’s U.S. federal income tax liability provided the required information is furnished to the IRS.

CHANGES IN FEDERAL TAX LAW

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series of May

2012 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series of May 2012 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series of May 2012 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series of May 2012 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Co-Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series of May 2012 Bonds and Co-Bond Counsel have expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

CONTINUING DISCLOSURE

The State will enter into a Continuing Disclosure Undertaking (“**Undertaking**”) for the benefit of the beneficial owners of the Series of May 2012 Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board pursuant to the requirements of Section (b) (5) of Rule 15c2-12 (“**Rule**”) adopted by the Securities and Exchange Commission (“**SEC**”) under the Securities Exchange Act of 1934, as amended. See “**APPENDIX F — CONTINUING DISCLOSURE UNDERTAKING**” for a description of the information to be provided annually, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies. The State has represented that it is in compliance with each and every undertaking previously entered into by it pursuant to the Rule. A failure by the State to comply with the Undertaking will not constitute a default under the Indenture and beneficial owners of the Series of May 2012 Bonds are limited to the remedies described in the Undertaking. See “**APPENDIX F — CONTINUING DISCLOSURE UNDERTAKING.**”

UNDERWRITING

The Series of May 2012 Bonds are being purchased by an underwriting group (the “**Underwriters**”) led by KeyBanc Capital Markets Inc., pursuant to a contract of purchase, dated May 9, 2012 by and among the Underwriters and the State at a purchase price of \$423,261,852.00 (being the principal amount thereof \$425,040,000.00, less an underwriters’ discount of \$1,778,148.00). The State has been advised by the Underwriters that the Series of May 2012 Bonds may be offered and sold to certain dealers and others at prices lower than the initial public offering prices and the public offering prices may be changed from time to time by the Underwriters. Any obligations of the Underwriters are the sole obligations of the Underwriters and do not create any obligations on the part of any affiliate of the Underwriters, including any affiliated banks.

In the ordinary course of business, certain Underwriters and some of their affiliates have engaged and, in the future, may engage in investment banking and/or commercial banking transactions with the State of Illinois. KeyBanc Capital Markets, Inc. is a subsidiary of KeyCorp.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series of May 2012 Bonds are subject to the approving opinions of Mayer Brown LLP, Chicago, Illinois and Burke Burns & Pinelli, Ltd., Co-Bond Counsel. The opinions of Co-Bond Counsel will accompany the delivery of the Series of May 2012 Bonds and be in substantially the form included in this Official Statement as Appendix B. Certain legal matters will be passed upon for the Underwriters by Underwriters’ Counsel, Holland & Knight LLP, Chicago, Illinois.

RATINGS

Standard & Poor’s Ratings Service (“**S&P**”) has assigned a rating of “**AAA**” with a Stable Outlook to the Bonds and Fitch Ratings (“**Fitch**”) has assigned a rating of “**AA+**” with a Stable Outlook to the Bonds. These ratings reflect the views of such organizations, and an explanation of the significance of such ratings may be obtained only from the respective rating agency. The ratings on the Series of May 2012 Bonds were applied for by the State and certain

information and materials, some of which are not contained herein, were supplied to S&P and Fitch. The ratings are not a “market” rating nor a recommendation to buy, sell or hold the Series of May 2012 Bonds and the ratings and the Series of May 2012 Bonds should be evaluated independently. The ratings are subject to change or withdrawal at any time, and any such change or withdrawal may affect the market price or marketability of the Series of May 2012 Bonds. The State undertakes no responsibility either to bring to the attention of the owners of the Series of May 2012 Bonds any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal.

LEGAL INVESTMENT

Under the Act, the Series of May 2012 Bonds are securities in which all public officers and bodies of the State and all political subdivisions of the State and other persons carrying on an insurance business, all banks, bankers, trust companies, saving banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all credit unions, pension funds, administrators, and guardians who are now or may hereafter be authorized to invest in bonds or in other obligations of the State, may properly and legally invest funds, including capital, in their control or belonging to them.

The Act also provides that the Series of May 2012 Bonds are securities which may be deposited with and may be received by all public officers and bodies of the State and all political subdivisions of the State and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

FINANCIAL ADVISOR

A.C. Advisory, Inc., Chicago, Illinois has been retained by the State to serve as Financial Advisor (the “**Financial Advisor**”) with respect to the Series of May 2012 Bonds. Under the terms of its engagement, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Financial Advisor's fee for services rendered with respect to the sale of the Series of May 2012 Bonds is contingent upon the issuance and delivery of the Series of May 2012 Bonds.

AUTHORIZATION

In accordance with the Act and Indenture, the Series of May 2012 Bonds will be issued pursuant to a Bond Sale Order of the Acting Director of the Governor’s Office of Management and Budget (“**Director**”), to be approved by the Governor of the State.

The present office holders are:

Pat Quinn -- Governor

Jerome Stermer -- Acting Director of the Governor’s Office of Management and Budget

CERTIFICATE OF THE DIRECTOR

The Director will provide to the Underwriters at the time of delivery of the Series of May 2012 Bonds a certificate confirming that, to the best of his knowledge and belief, the Official Statement was, as of its date, and is, as of the date of such delivery, true and correct in all material respects and did not and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

ADDITIONAL INFORMATION

The information contained in this Official Statement is subject to change without notice and no implication may or shall be derived there from or from the sale of the Series of May 2012 Bonds that there has been no change in the affairs of the State or the information contained herein since the dates as of which such information is given. Any

statements in this Official Statement involving matters of opinion or estimate, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not be construed as a contract or agreement between the State and the Underwriters of any of the Series of May 2012 Bonds.

MISCELLANEOUS

The State has authorized the distribution of this Official Statement.

This Official Statement has been duly executed and delivered by the Acting Director of the Governor's Office of Management and Budget on behalf of the State.

STATE OF ILLINOIS

/s/Jerome Stermer
Acting Director,
Governor's Office of Management and Budget

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APPENDIX A

CERTAIN INFORMATION REGARDING THE STATE OF ILLINOIS

Economic Data

Illinois is a state of diversified economic strength. Personal income and workforce composition in Illinois are similar to that of the United States as a whole. Measured by per capita personal income, Illinois ranks third among the ten most populous states and sixteenth among all states. Illinois ranks third among all states in total cash receipts from crops, second in feed and grain exports, second in soybean and products exports, fifth in exports of all commodities and ranks among the top states in several measures of manufacturing activity. Chicago serves as the transportation center of the Midwest and the headquarters of many of the nation's major corporations and financial institutions. Table A-1 shows Illinois has a historically higher per capita GDP than the Great Lakes Region and the United States. Table A-2 compares the workforce composition of Illinois to that of the United States as a whole. Table A-3 shows the distribution of Illinois non-agricultural employment by industry sector.

Table A-1
PER CAPITA REAL GDP (chained 2005 dollars)

	2006	2007	2008	2009	2010
United States	\$ 43,220	\$ 43,633	\$ 43,079	\$ 41,640	\$ 42,346
Illinois	46,105	46,593	45,970	44,565	45,258
Great Lakes Region	40,296	40,617	39,786	38,258	39,175

Source: U.S. Department of Commerce, Bureau of Economic Analysis, April 2012.

Table A-2
PAYROLL JOBS BY INDUSTRY, SEASONALLY ADJUSTED – January 2012
(Thousands)

Industry Employment Sector	<u>Illinois</u>	<u>% of Total</u>	<u>U.S.</u>	<u>% of Total</u>
Financial Activities	364	6.4%	7,697	5.8%
Manufacturing	580	10.2%	11,860	9.0%
Trade, Transportation and Utilities	1140	20.0%	25,239	19.1%
Leisure and Hospitality	523	9.2%	13,503	10.2%
Education and Health Services	851	15.0%	20,110	15.2%
Mining, Logging, Information and Other Services	356	6.3%	8825	6.7%
Government	842	14.8%	22,004	16.6%
Professional and Business Services	846	14.9%	17,672	13.3%
Construction	190	3.3%	5,564	4.2%
Total	5,691	100.0%	132,474	100.0%

Source: U.S. Department of Labor, Bureau of Labor Statistics, April 2012.

Table A-3
NON-AGRICULTURAL PAYROLL JOBS BY INDUSTRY
ILLINOIS - 2007 THROUGH January 2012
(Thousands)

Industry Employment Sector	2007	2008	2009	2010	2011	2012
Total Non-Agricultural Employment	5,970	5,994	5,806	5,588	5,651	5,680
Financial Activities	407	397	381	364	364	364
Manufacturing	681	671	621	554	569	580
Trade, Transportation and Utilities	1,210	1,219	1,172	1,120	1,135	1,140
Leisure and Hospitality	530	534	524	513	518	523
Educational and Health Services	771	791	812	823	844	851
Mining, Logging, Information & Other Services	386	388	381	369	360	356
Government	848	854	857	857	842	831
Professional and Business Services	863	873	822	786	820	846
Construction	275	266	236	203	199	190

Source: U.S. Department of Labor, Bureau of Labor Statistics, April 2012.

Agriculture

Illinois ranks prominently among states for agricultural activity and exports. Tables A-4 and A-5 summarize key agricultural production statistics including rank among all states for the years 2006 to 2010.

Table A-4
ILLINOIS CASH RECEIPTS FROM CROPS AND LIVESTOCK
(\$ in Millions)

	2006	2007	2008	2009	2010	2010 Rank
Crops	\$7,232	\$10,662	\$13,077	\$13,065	\$12,589	3
Livestock	1,825	2,112	2,121	1,849	2,268	25
Total	\$9,057	\$12,773	\$15,197	\$14,914	\$14,857	6

Source: U.S. Department of Agriculture-Economic Research Service, April 2012.

Table A-5
AGRICULTURAL EXPORTS
Federal Fiscal Year 2010
(\$ in Millions)

Agricultural Exports	U.S. Total	Illinois Share	% of U.S.	Rank
All Commodities	108,664	5,786	5.3%	5
Feed Grain and Products	11,912	1,708	14.3%	2
Soybeans and Products	22,086	3,092	14.0%	2

Source: U.S. Department of Agriculture-Economic Research Service, April 2012.

Contract Construction

Contracts for future construction in Illinois averaged \$17.3 billion annually during the period 2007 through 2011 and totaled almost \$12 billion in 2011. During the period 2007 through 2011, building permits issued for residential construction averaged 20,175 annually, with an average annual valuation of \$3.5 billion. Table A-6 presents annual data on contracts for future construction and residential building activity.

Table A-6
CONTRACTS FOR FUTURE ILLINOIS CONSTRUCTION
AND RESIDENTIAL BUILDING ACTIVITY
(Valuations in \$ Millions)

Year	Future Contracts for Residential, Non-residential and Non-building Construction ¹		Residential Building Activity (Privately-Owned Housing Units) ²	
	Valuation		Number of Permits	Valuation
2007	20,876		43,020	6,936
2008	24,457		22,528	3,783
2009	14,724		10,859	2,100
2010	14,338		12,318	2,412
2011	11,966		12,151	2,217

Sources: ¹Department of Commerce and Economic Opportunity.

²U.S. Census Bureau, Housing Units Authorized by Building Permits, April 2012.

Personal Income

Per capita income in Illinois is greater than the average in both the United States and the Great Lakes Region. Table A-7 presents personal income data, and Table A-8 presents per capita income comparisons.

Table A-7
PERSONAL INCOME
(\$ in Billions)

	2006	2007	2008	2009	2010
Illinois	491	533	555	525	540
United States	11,268	11,912	12,460	11,930	12,373

Source: U.S. Department of Labor, Bureau of Labor Statistics, April 2012.

Table A-8
PER CAPITA PERSONAL INCOME

	2006	2007	2008	2009	2010	2010 Rank
Illinois	39,900	41,950	43,498	41,058	42,057	16
United States	37,725	39,506	40,947	38,846	39,945	--
Ten Most Populous States:*						
New York	44,567	47,852	49,369	46,699	48,450	1
California	41,518	43,211	43,993	41,353	42,578	2
Illinois	39,900	41,950	43,498	41,058	42,057	3
Pennsylvania	36,984	38,927	40,671	39,420	40,599	4
Florida	37,996	39,256	39,958	37,387	38,222	5
Texas	35,287	37,098	39,704	36,458	37,706	6
Ohio	34,008	35,183	36,392	35,145	36,180	7
North Carolina	33,373	34,761	35,740	34,108	34,977	8
Georgia	34,061	35,369	35,863	34,081	34,800	9
Michigan	33,365	34,419	35,282	33,514	34,691	10
Great Lakes States:						
Illinois	39,900	41,950	43,498	41,058	42,057	1
Wisconsin	35,598	36,831	38,151	36,927	38,177	2
Ohio	34,008	35,183	36,392	35,145	36,180	3
Michigan	33,365	34,419	35,282	33,514	34,691	4
Indiana	32,667	33,645	34,890	33,363	34,042	5

*United States Census Bureau, 2010 Census, April 2012.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, April 2012.

Employment

Table A-9
NUMBER OF UNEMPLOYED

	2007	2008	2009	2010	2011*
United States	7,078,000	8,924,000	15,142,000	14,876,000	12,613,000
Illinois	341,020	433,700	674,692	620,983	627,586
Bloomington-Normal MSA	3,567	4,573	6,495	7,201	6,320
Champaign-Urbana MSA	5,387	6,929	9,987	11,038	9,400
Chicago PMSA	241,218	303,175	487,453	496,036	465,543
Danville-MSA	2,451	2,971	4,201	4,547	3,617
Davenport-Moline-Rock Island MSA	9,115	10,772	15,884	17,127	14,846
Decatur MSA	3,230	3,825	6,166	6,502	5,406
Kankakee MSA	3,696	4,803	6,746	7,511	6,342
Peoria-Pekin MSA	9,280	11,296	20,850	20,812	16,483
Rockford MSA	11,216	15,347	25,332	26,830	20,149
Springfield MSA	5,388	6,568	8,390	9,433	8,699

*Data as of November 2011.

Source: United States Department of Labor, Bureau of Labor Statistics Data, April 2012.

Table A-10
UNEMPLOYED RATE (%)

	2006	2007	2008	2009	2010	2011*
United States	4.6	4.6	5.8	10	9.7	8.2
Illinois	4.6	5.1	6.5	10.1	9.8	9.4
Bloomington-Normal MSA	3.6	4	5.1	7.2	7.5	6.8
Champaign-Urbana MSA	3.9	4.5	5.7	8.3	9	7.8
Chicago PMSA	4.5	4.9	6.2	10	10.2	9.6
Danville MSA	6	6.5	8.2	11.5	12.1	9.9
Davenport-Moline-Rock Island	4.3	4.4	5.2	8.1	8.4	7.3
Decatur MSA	5.6	5.9	7.2	11.4	11.8	9.9
Kankakee MSA	5.9	6.6	8.8	12.1	13.1	10.8
Peoria-Pekin MSA	4.2	4.6	5.7	10.4	10.2	7.9
Rockford MSA	5.6	6.4	9.1	15	15.3	11.9
Springfield MSA	4.4	4.7	5.9	7.4	8	7.4

*Data as of November 2011.

Source: United States Department of Labor, Bureau of Labor Statistics Data, April 2012.

Note: U.S. BLS dropped Quad Cities Region and St. Louis MSA, IL portion and added Danville and Davenport-Moline-Rock Island MSAs.

Population

Illinois is the nation's fifth most populous state. The State's population is approximately 12.9 million according to the U.S. Bureau of the Census for calendar year 2009.

Table A-11
POPULATION
ILLINOIS AND SELECTED METROPOLITAN STATISTICAL AREAS

	1980	1990	2000	2009
Illinois	11,427,409	11,430,602	12,419,293	12,910,409
Chicago CMSA (IL Part)	7,348,874	7,410,858	8,272,768	9,580,609
St. Louis MSA (IL Part)	588,464	588,995	599,845	684,849
Rockford MSA	325,852	329,676	371,236	353,722
Peoria MSA	365,864	339,172	347,387	375,865
Springfield MSA	187,770	189,550	201,437	208,182
Champaign-Urbana MSA	168,392	173,025	179,669	226,132

Source: U.S. Bureau of the Census, Population Division, Annual Estimates of the Population for Metropolitan Areas of Illinois, April 2012.

Note: Population data for 1980 and 1990 were adjusted to reflect Metropolitan Statistical Area definitions.

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APPENDIX B -

FORM OF OPINIONS OF CO-BOND COUNSEL

[Date of Delivery]

State of Illinois
Governor’s Office of Management and Budget
State House
Springfield, Illinois

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$425,040,000 aggregate principal amount of Build Illinois Bonds (Sales Tax Revenue Bonds), Taxable Series of May 2012 (the “Bonds”) of the State of Illinois (the “State”). The Bonds are direct and limited obligations of the State issued pursuant to the authority of Section 9 of Article IX of the Illinois Constitution of 1970 (the “Constitution”) and the Build Illinois Bond Act, 30 Illinois Compiled Statutes 425/1 *et seq.*, as amended (the “Act”), and under and in accordance with a Master Trust Indenture Securing Build Illinois Bonds (Sales Tax Revenue Bonds) dated as of September 15, 1985 (the “Master Indenture”), as amended and supplemented to date, from the State to U.S. Bank National Association, as successor trustee (the “Trustee”), and a Forty Eighth Supplemental Indenture dated as of May 1, 2012 (the “Forty Eighth Supplemental Indenture”) from the State to the Trustee. The Master Indenture, as supplemented by the Forty Eighth Supplemental Indenture, is sometimes referred to herein as the “Indenture.”

The Bonds are issued and issuable only in fully registered form in the denominations of \$5,000 or any integral multiple thereof. The Bonds are dated May 17, 2012. The Bonds mature on June 15 in each of the following years in the respective principal amount set opposite each such year in the following table, and the Bonds maturing in each such year bear interest from their date payable on June 15, 2012 and semiannually thereafter on June 15 and December 15 in each year at the respective rate of interest per annum set forth opposite such year:

<u>Year</u>	<u>Principal Amount</u>	<u>Rate of Interest</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Rate of Interest</u>
2013	\$17,710,000	0.440%	2021	\$17,710,000	2.781%
2014	17,710,000	0.808	2022	17,710,000	2.931
2015	17,710,000	1.064	2023	17,710,000	3.081
2016	17,710,000	1.360	2024	17,710,000	3.231
2017	17,710,000	1.560	2025	17,710,000	3.431
2018	17,710,000	1.998	2026	17,710,000	3.481
2019	17,710,000	2.298	2027	17,710,000	3.581
2020	17,710,000	2.681	2036	159,390,000	4.080

The Series of May 2012 Bonds are subject to optional redemption and sinking fund redemption as set forth in the Official Statement dated May 9, 2012.

The Bonds are “Senior Bonds” as defined and referred to in the Indenture. Under the terms of the Indenture, the State has issued various series of Senior Bonds that are currently outstanding and may authorize and issue additional series of Senior Bonds for the purposes and upon the terms and conditions prescribed in the Indenture. All Senior Bonds are equally entitled to the benefit and security of the Indenture, including the pledge of Revenues (as defined in the Indenture) hereinafter mentioned.

Based upon such examination, we are of the opinion that:

1. The State had and has the right and power under the Constitution and the Act to authorize the Bonds, to enter into the Indenture and to perform its obligations under the Indenture.

2. The Indenture is presently in full force and effect and is binding upon the State in accordance with its terms and is part of the contract of the State with the several owners of the Bonds.
3. The Bonds have been duly authorized and issued, are entitled to the benefits of the Act and the Indenture and are valid and legally binding direct and limited obligations of the State, enforceable in accordance with their terms and payable from the Revenues and the other moneys, securities and funds pledged under the Act and the Indenture. The Bonds are not general obligations of the State and are not secured by a pledge of the full faith and credit of the State. The owners of the Bonds may not require the levy or imposition of any taxes or the application of State revenues or funds for the payment of the Bonds, except as provided in the Act and the Indenture.
4. The Act and the Indenture create a valid pledge constituting a first and prior claim against and charge on the Revenues and an irrevocable, first priority pledge of and lien on moneys on deposit in the Retirement and Interest Fund (as defined in the Indenture) and on the other moneys and securities held or set aside under the Indenture for the benefit and security of the Bonds and any other Senior Bonds, subject to the provisions of the Indenture requiring or permitting the payment, setting apart or application thereof for or to the purposes and on the terms, conditions, priorities and order set forth in or provided under the Indenture.
5. Interest on the Bonds is not excludable from the gross income of the owners thereof for federal income tax purposes. Pursuant to Circular 230, the opinion set forth in this paragraph is not intended or written by Co-Bond Counsel to be used, and cannot be used by any person, for the purpose of avoiding tax penalties that may be imposed under U.S. tax laws. Such opinion is provided to support an offering of the Bonds, and accordingly is written in support of the promotion or marketing of the Bonds. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor concerning the potential tax consequences of an investment in the Bonds.
6. Interest on the Bonds is not exempt from State of Illinois income taxes.
7. Other than the opinions set forth in paragraphs 5 and 6 above, we express no opinion regarding any other federal or state tax consequences relating to acquisition, ownership or disposition of, or the accrual or receipt of interest on the Bonds.

In rendering the foregoing opinion, we advise you that the enforceability (but not the validity or binding effect) of the Bonds and the Indenture (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors generally 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 submitted,

APPENDIX C

CERTAIN DEFINITIONS

“*Act*” means “AN ACT to create the Build Illinois Bond Act and creating and amending various Acts in relation thereto”, Public Act 84-111, approved July 25, 1985, as amended (30 ILCS 425/1 et seq.).

“*Aggregate Debt Service*” means, as of any particular date of computation and with respect to a particular Fiscal Year or other specified 12-month period, an amount of money equal to the aggregate of the amounts of Annual Debt Service with respect to such Fiscal Year or other specified 12-month period and to the Senior Bonds of all Series.

“*Annual Debt Service*” means, as of any particular date of computation and with respect to a particular Fiscal Year or other specified 12-month period and to Senior Bonds of a particular Series, an amount of money equal to the sum of (a) all interest payable during such Fiscal Year or other specified 12-month period on all Bonds of said Series Outstanding on said date of computation (provided that interest on Variable Rate Bonds of said Series shall be included at the Assumed Variable Amount) and (b) all Principal Installments payable during such Fiscal Year or other specified 12-month period with respect to all Bonds of said Series Outstanding on said date of computation, all calculated on the assumption that Bonds of said Series will after said date of computation cease to be Outstanding by reason, but only by reason, of the payment when due and application in accordance with the Indenture and the Supplemental Indenture creating such Series of Principal Installments payable at or after said date of computation. For purposes of this definition the term “interest” shall not include Subordinated Interest and the term “Principal Installments” shall not include Subordinated Principal Installments.

“*Annual Specified Amounts*” means with respect to any Fiscal Year the amounts designated as Annual Specified Amounts in the Sales Tax Acts.

“*Appreciation and Income Bond*” means any Senior Bond or Senior Bonds of a Series sold at a price less than 97 percent of the Compounded Amount thereof payable at maturity, but only if (a) such Bond or Bonds are designated as an Appreciation and Income Bond or Bonds by the Supplemental Indenture providing for the issuance of such Series of Bonds, (b) Annual Debt Service on such Series of Bonds, together with Annual Debt Service on all other Series of Outstanding Bonds, is as nearly level or equal as possible, taking into consideration prevailing financial techniques, including, without limitation, the possible initial delay of principal maturities in early years and the use of Capitalized Interest, the determination by the Director in the applicable Bond Sale Order as to such level Annual Debt Service being final and conclusive, and (c) such Appreciation and Income Bonds may also be designated either serial or term Bonds by the Supplemental Indenture providing for the issuance of such Bonds.

“*Appreciation Bond*” means any Senior Bond or Senior Bonds of a Series sold at a price less than 97 percent of the Compounded Amount thereof payable at maturity, but only if (a) such Bond or Bonds are designated as an Appreciation Bond or Bonds by the Supplemental Indenture providing for the issuance of such Series of Bonds, (b) Annual Debt Service on such Series of Bonds together with Annual Debt Service on all other Series of Outstanding Bonds is as nearly level or equal as possible, taking into consideration prevailing financial techniques, including, without limitation, the possible initial delay of principal maturities in early years and the use of Capitalized Interest, the determination by the Director in the applicable Bond Sale Order as to such level Annual Debt Service being final and conclusive, and (c) such Appreciation Bonds may also be designated either serial or term Bonds by the Supplemental Indenture providing for the issuance of such Bonds.

“*Assumed Variable Amount*” means, as of any particular date of computation and with respect to a particular Fiscal Year or other specified 12-month period and to Variable Rate Bonds of a particular Series of Senior Bonds, an amount of money equal to (a) the interest payable on such Variable Rate Bonds calculated at the maximum rate permitted under the Bond Sale Order and Supplemental Indenture authorizing the issuance of such Variable Rate Bonds, less (b) the amount permitted to be credited, under Section 711 of the Indenture and the terms of such Supplemental Indenture, against the amount of interest on such Variable Rate Bonds required to be included in any computation with respect to such period, including but not limited to, any computation of Annual Debt Service, Certified Annual Debt Service Requirement and Required Bond Transfer. For purposes of this definition the term “interest” shall not include Subordinated Interest.

“*Bond Counsel*” or “*Co-Bond Counsel*” means a firm of attorneys having expertise in the field of law relating to municipal, state and public agency financing, selected by the State and satisfactory to the Trustee.

“*Bondholder*” or “*holder*” or “*owner*” or words of similar import, when used with reference to a Bond, means any person who shall be the bearer of any Outstanding Bond registered to bearer or not registered, or the registered owner of any Outstanding Bond at the time registered other than to bearer.

“*Bonds*” means any Senior Bonds and Junior Obligations of the State authenticated and delivered as a Series under and pursuant to Article II of the Indenture and any Section 209 Obligations.

“*Bond Sale Order*” means any Bond Sale Order as defined in Section 6(a) of the Act.

“*Build Illinois Bond Account*” means the Build Illinois Bond Account in the Build Illinois Fund.

“*Build Illinois Bond Fund*” means the Build Illinois Bond Fund created in the State Treasury pursuant to Section 5.159 of the Finance Act.

“*Build Illinois Fund*” means the Build Illinois Fund created in the State Treasury pursuant to Sections 6z-9 and 5.148 of the Finance Act.

“*Capital Projects Fund*” means the Capital Projects Fund created in the State Treasury.

“*Certified Annual Debt Service Requirement*” for any Fiscal Year means an amount equal to the Aggregate Debt Service and the Junior Annual Debt Service for such Fiscal Year, plus an amount equal to the difference, if any, between (a) the Aggregate Debt Service and the Junior Annual Debt Service for any prior Fiscal Year and (b) the amount of Revenues deposited with the Trustee for such prior Fiscal Year, plus an amount of money equal to the aggregate amounts required by the provisions of the Indenture and all Supplemental Indentures to be deposited from Revenues in all Funds or Accounts under the Indenture and in all funds, accounts and subaccounts created under such Supplemental Indentures in such Fiscal Year, minus any moneys in the Capitalized Interest Account to be used to pay interest on Bonds during such Fiscal Year.

“*Compounded Amount*” when used with reference to any Appreciation Bond or any Appreciation and Income Bond, shall mean:

- (i) The Initial Offering Price, plus
- (ii) the amount, assuming semi-annual compounding, of earnings which would be produced on an investment of the Initial Offering Price, (a) in the case of an Appreciation Bond, beginning on the date of delivery of such Bond, at a yield which, if received throughout the term of such Bond, would produce the principal amount and interest payable at maturity on such Bond in accordance with its terms, and (b), in the case of an Appreciation and Income Bond, beginning on the date of such Bond and ending on the Current Interest Commencement Date, at a yield which, if received until the Current Interest Commencement Date will produce the principal amount plus the compounded interest payable at maturity on such Bond in accordance with its terms.

“*Compounded Amount*” shall further mean, to the extent provided in a Supplemental Indenture, as applied to any particular Series of Bonds, in respect of each \$5,000 principal and interest payable at maturity of any Appreciation Bond or any Appreciation and Income Bond, on any June 15 and December 15 prior to maturity, the amount set forth in the table of Compounded Amounts appearing on such Bond, as provided in the applicable Supplemental Indenture. “*Compounded Amount*” shall also further mean, to the extent provided in a Supplemental Indenture, as applied to any particular Series of Bonds, in respect of each \$5,000 principal and interest payable at maturity of any Appreciation Bond or any Appreciation and Income Bond, on a date other than a June 15 or December 15, the Compounded Amount on the next preceding December 15 or June 15 plus the portion of the difference between the Compounded Amount on the next preceding December 15 or June 15 and the next succeeding June 15 or December 15 that the number of days from the next preceding December 15 or June 15 to the date for which the determination

is being calculated bears to the total number of days from the next preceding December 15 or June 15 to the next succeeding June 15 or December 15.

“*Costs of Issuance*” means any item of expense payable or reimbursable, directly or indirectly, by the State and related to the authorization, offering, sale, issuance and delivery of Bonds, including but not limited to travel and other expenses of any officer or employee of the State in connection with the authorization, offering, sale, issuance and delivery of such Bonds, advertising, printing, bond rating, travel, security, and delivery costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary or registrar, legal and financial advisory fees and disbursements, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, application fees and premiums on municipal bond insurance, initial credit or liquidity facility charges, initial fees of indexing and remarketing agents, initial costs of entering into interest rate swaps, guarantees or arrangements to limit interest rate risk and costs and expenses relating to the refunding of Bonds.

“*Current Interest Commencement Date*” means the date designated in the applicable Supplemental Indenture on which interest on any Appreciation and Income Bond ceases to be deferred and compounded and becomes currently payable on the scheduled interest payment dates.

“*Debt Service Fund*” means the Debt Service Fund created by Section 501 of the Indenture.

“*Debt Service Reserve Fund*” means the Debt Service Reserve Fund created by Section 501 of the Indenture.

“*Debt Service Reserve Fund Requirement*” means at any time an amount equal to 50 percent of the maximum Aggregate Debt Service for the then current or any future Fiscal Year; provided, however, that for the purposes of this definition interest payable on each Series of Variable Rate Senior Bonds shall, to the extent includable in Aggregate Debt Service, be included in Aggregate Debt Service at the maximum rate permitted under the Bond Sale Order and Supplemental Indenture authorizing the issuance of such Series.

“*Federal Obligation*” means any direct obligation of, or any obligation the full and timely payment of principal of and interest on which is guaranteed by, the United States of America, including, but not limited to, United States Treasury Certificates of Indebtedness, Notes and Bonds--State and Local Government Series or certificates of ownership of the principal of or interest on direct obligations of, or obligations unconditionally guaranteed by, the United States of America, which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System and has capital and surplus (exclusive of undivided profits) in excess of \$100,000,000.

“*Fiduciary*” means the Trustee, any trustee under a Supplemental Indenture or any Paying Agent or any or all of them, as may be appropriate.

“*Finance Act*” means “AN ACT in relation to State finance,” approved June 10, 1919, as amended.

“*Fiscal Year*” means July 1 through June 30 of the following year.

“*Forty-Eighth Supplemental Indenture*” means the Forty-Eighth Supplemental Indenture to the Master Indenture as originally executed and delivered by the State and the Trustee in accordance with Article VIII of the Master Indenture.

“*General Reserve Fund*” means the General Reserve Fund created by Section 501 of the Indenture.

“*Indenture*” means the Master Indenture as the same may from time to time be amended or supplemented by Supplemental Indentures executed and delivered by the State and the Trustee in accordance with Article VIII of the Master Indenture.

“*Initial Offering Price*” means the principal amount of an Appreciation Bond or an Appreciation and Income Bond and the price at which such Bond is offered for sale to the public or sold to the initial purchaser thereof at the time of sale thereof by the State without reduction to reflect underwriters’ discount or placement agent’s fees.

“*Junior Obligation Debt Service Fund*” means the Junior Obligation Debt Service Fund created by Section 501 of the Indenture.

“*Junior Obligations*” means Bonds of any Series designated as Junior Obligations in the Supplemental Indenture authorizing such Series, any obligation to pay Subordinated Interest or any Subordinated Principal Installment, and any Section 209 Obligations.

“*Master Indenture*” means the Master Trust Indenture, dated as of September 15, 1985, as originally executed and delivered by the State and the Trustee.

“*McCormick Place Account*” means the McCormick Place Account in the Build Illinois Fund.

“*Net Debt Service Requirement*” means, as of any particular date of computation and with respect to a particular Fiscal Year or other specified 12-month period, an amount equal to (a) the Aggregate Debt Service less (b) an amount equal to that portion of Aggregate Debt Service which may be paid when due from any moneys, Federal Obligations and Qualified Investments described in paragraphs (f) and (g) of the definition thereof, together with interest thereon, set aside in trust in the Net Debt Service Account solely for the purpose of paying all or any portion of Aggregate Debt Service; provided that the principal of and interest on such Federal Obligations and Qualified Investments, when due (without reinvestment thereof) will provide moneys which, together with any moneys so set aside, shall be sufficient to pay such portion of Aggregate Debt Service.

“*Outstanding*,” when used with reference to the Bonds, means as of any date, all Bonds theretofore or thereupon being issued pursuant to the Indenture except:

- (a) Bonds canceled by the Trustee or the owner of a Section 209 Obligation, as the case may be, at or prior to such date or theretofore delivered to the Trustee or such owner, as the case may be, for cancellation;
- (b) Bonds (or portions of Bonds) for the payment or redemption of which there shall be held in trust and set aside for such payment or redemption (whether at, prior to or after the maturity or redemption date) moneys or Federal Obligations and Qualified Investments described in paragraphs (f) and (g) of the definition thereof the principal of and interest on which when due or payable will provide moneys, together with the moneys, if any, deposited with the Trustee at the same time, in an amount sufficient to pay the principal or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, and, if such Bonds are to be redeemed, for which notice of such redemption shall have been given as provided in the Master Indenture or in the related Supplemental Indenture or provisions satisfactory to the Trustee shall have been made for the giving of such notice;
- (c) Bonds for the transfer or exchange of, in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Indenture; and
- (d) Bonds deemed to have been paid as provided in Section 1201 of the Indenture or in any Supplemental Indenture.

“*Principal Installment*” means as of any particular date of computation and with respect to Bonds of a particular Series or particular Section 209 Obligations, an amount of money equal to the aggregate of (i) the principal amount of Outstanding Bonds or Section 209 Obligations which mature on a single future date, reduced by the aggregate principal amount of such Outstanding Bonds or Section 209 Obligations which would at or before said future date be retired by reason of the payment when due and application in accordance with the Indenture of Sinking Fund Payments payable at or before said future date for the retirement of such Outstanding Bonds or Section 209 Obligations, plus (ii) the amount of any Sinking Fund Payments payable on said future date for the retirement of any Outstanding Bonds of such Series or said Section 209 Obligations, and said future date shall, for all purposes of the Indenture, be deemed to be the date when such Principal Installment is payable and the date of such Principal Installment.

“*Program Expense Fund*” means the Program Expense Fund created by Section 501 of the Indenture.

“*Program Expenses*” means any item of expense relating to the Bonds payable or reimbursable, directly or indirectly, by the State and relating to the fees and charges of any Fiduciary or registrar, costs of credit or liquidity enhancement arrangements, fees of indexing or remarketing agents and costs of entering into interest rate swaps, guarantees or arrangements to limit interest rate risk; provided, however, that Program Expenses shall not include any item of expense which is a Cost of Issuance.

“*Qualified Financial Institution*” means any bank, insurance company, corporation or other person having capital, surplus and undivided profits or net worth aggregating not less than \$100,000,000 and whose senior debt is rated in one of the two highest rating categories by at least two nationally recognized rating agencies; provided that such bank, insurance company, corporation or person shall further meet the requirements imposed by the Act for banks, insurance companies or other persons executing arrangements with the State with respect to interest rate swaps or guarantees or financial futures contracts for the purpose of limiting or restricting interest rate risk.

“*Qualified Investments*” means:

- (a) Federal Obligations;
- (b) Deposits in interest-bearing deposits or certificates of deposit or similar arrangements issued by any bank or national banking association, including a Fiduciary, which deposits, to the extent not insured by the Federal Deposit Insurance Corporation, shall be secured by Qualified Collateral having a current market value (exclusive of accrued interest) at all times at least equal to 102 percent of the amount of such deposits, and which Qualified Collateral shall have been deposited in trust by such bank or national banking association with the trust department of the Trustee or with a Federal Reserve Bank or branch or, with the written approval of the State and the Trustee, with another bank, trust company or national banking association for the benefit of the State and the appropriate Fund or Account as collateral security for such deposits;
- (c) Direct and general obligations of any state of the United States of America, any direct obligations of the State, or any direct obligations of any political subdivision of the State which, in each case, are rated not less than AA or Aa or their equivalents by two nationally recognized bond rating agencies;
- (d) Obligations issued by any of the following agencies: Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Banks System, Federal Land Banks, Export-Import Bank, Tennessee Valley Authority, Government National Mortgage Association, Farmers Home Administration, United States Postal Service, and the Federal National Mortgage Association to the extent that such obligations are guaranteed by the Government National Mortgage Association, any agency or instrumentality of the United States of America and any corporation controlled and supervised by, and acting as an agency or instrumentality of, the United States of America;
- (e) Repurchase agreements extending not beyond 30 calendar days with banks which are members of the Federal Reserve System having capital, surplus and undivided profits of at least \$100,000,000 or with government bond dealers having capital, surplus and undivided profits or net worth of at least \$100,000,000 and recognized as primary dealers by the Federal Reserve Bank of New York that are secured by Federal Obligations having a current market value (inclusive of accrued interest) at all times at least equal to 102 percent of the full amount of the repurchase agreement, and which Federal Obligations shall have been deposited in trust by such banks or dealers with the trust department of the Trustee or with a Federal Reserve Bank or branch, or with the written approval of the State and the Trustee, with another bank, trust company or national banking association for the benefit of the State and the appropriate Fund or Account as collateral security for such repurchase agreements;

- (f) Public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, or project notes issued by public housing authorities, or project notes issued by local public agencies, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America; and
- (g) Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (i) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds or obligations for redemption on the date or dates specified in such instructions, (ii) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in the definition of Federal Obligation which may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in clause (i) of this paragraph (g), as appropriate, and (iii) as to which the principal of and interest on the bonds and obligations of the character described in the definition of Federal Obligation which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph (g) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) of this paragraph (g), as appropriate.

“*Record Date*” means the fifteenth (15th) day (whether or not a business day) next preceding any interest payment date, including any interest payment date resulting from an optional redemption of Series of May 2012 Bonds on a date other than June 15 or December 15.

“*Redemption Price*” means with respect to any Series of Bonds or any particular Section 209 Obligations, the principal amount of the Bonds or Section 209 Obligations plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bonds or Section 209 Obligations or the Supplemental Indenture creating such Series or the instrument creating such Section 209 Obligations.

“*Reform Act*” means “AN ACT relating to taxes and the use thereof, amending Acts named therein,” Public Act 851135, approved July 28, 1988, as amended.

“*Reform Fund*” means the State and Local Sales Tax Reform Fund created in the State Treasury pursuant to Section 6z-17 of the Finance Act.

“*Reform Fund Amounts*” means the amounts of money required to be transferred monthly from the Reform Fund to the Build Illinois Fund as provided in Section 6z-17 of the Finance Act.

“*Required Bond Transfer*” means with respect to any Fiscal Year the amount of money required to be transferred from the Build Illinois Bond Account to the Retirement and Interest Fund and to be paid from the Retirement and Interest Fund to the Trustee for such Fiscal Year as provided in Section 502(c) of the Indenture and Section 13 of the Act.

“*Retirement and Interest Fund*” means the Build Illinois Retirement and Interest Fund created in the State Treasury pursuant to Section 11(b) of the Act and Section 5.158 of the Finance Act.

“*Retailers’ Occupation Tax*” means the tax now or hereafter imposed by the State pursuant to Section 3 of the “Retailers’ Occupation Tax Act,” approved June 28, 1933, as amended.

“*Revenue Fund*” means the Revenue Fund created by Section 501 of the Indenture.

“*Revenues*” means all tax revenues and other moneys, from whatever source (including without limitation the Navy Pier Act), which by law are required to be deposited into the Build Illinois Fund for the purposes of making transfers to and payments from the Retirement and Interest Fund as required by Sections 6z-9 and 8.25 of the Finance Act; and into the Capital Projects Fund for the purpose of making transfers to and payments from the Retirement and Interest Fund as required by Public Act 96-36 (amending Section 13 of the Act), provided, however, that Revenues shall not include (a) any tax revenues and other moneys, from whatever source, which by law, now or hereafter enacted, are required to be transferred from the Build Illinois Fund to the Metropolitan Fair and Exposition Authority Improvement Bond Fund as permitted by Section 712 of the Indenture or (b) 1/12th of \$5,000,000 of the moneys received by the Illinois Department of Revenue and required to be paid each month into the Build Illinois Fund pursuant to Section 3-1001 of “The Illinois Vehicle Code,” approved September 29, 1969, as amended.

“*Sales Tax*” or “*Sales Taxes*” means the taxes now or hereafter imposed by the State pursuant to the Sales Tax Acts.

“*Sales Tax Acts*” means Section 9 of the “Use Tax Act,” approved July 14, 1955, as amended, Section 9 of the “Service Use Tax Act,” approved July 10, 1961, as amended, Section 9 of the “Service Occupation Tax Act,” approved July 10, 1961, as amended, and Section 3 of the “Retailers’ Occupation Tax Act,” approved June 28, 1933, as amended.

“*Section 209 Obligations*” means any Junior Obligations in the form of obligations incurred by the State to reimburse or repay the issuer or issuers of one or more letters of credit or the provider or providers of lines of credit or other credit or liquidity enhancement facilities securing one or more Series of Bonds as described in Section 209 of the Indenture, including any fees or other amounts payable to the issuer or provider of any such letter of credit or facility, whether such obligations are set forth in one or more agreements entered into between the State and the issuer or provider of any such letter of credit or facility, or in one or more notes or other evidences of indebtedness executed and delivered by the State pursuant thereto, or any combination thereof.

“*Senior Bonds*” means Bonds of any Series designated as Senior Bonds in the Supplemental Indenture authorizing such Series.

“*Series*” shall mean all of the Bonds authenticated and delivered on original issuance pursuant to a Supplemental Indenture and designated as a Series therein, but, unless the context clearly indicates otherwise, shall not include Section 209 Obligations.

“*Series of May 2012 Bonds*” means a Series of Senior Bonds designated as Series of May 2012 Bonds in the Forty-Eighth Supplemental Indenture.

“*Service Occupation Tax*” means the tax now or hereafter imposed by the State pursuant to Section 9 of the “Service Occupation Tax Act,” approved July 10, 1961, as amended.

“*Service Use Tax*” means the tax now or hereafter imposed by the State pursuant to Section 9 of the “Service Use Tax Act,” approved July 10, 1961, as amended.

“*Sinking Fund Payment*” means as of any particular date of determination and with respect to the Outstanding Bonds of any Series or with respect to any particular Section 209 Obligations, the amount required by the Supplemental Indenture creating such Series or the instrument creating such Section 209 Obligations to be paid in any event by the State on a single future date for the retirement of Bonds of such Series or of such Section 209 Obligations which mature after said future date, but does not include any amount payable by the State by reason only of the maturity of a Bond or Section 209 Obligation.

“*State*” means the State of Illinois.

“*State Portion*” means, commencing January 1, 1990, the portion of the Sales Taxes remaining after the monthly deposits of 20 percent thereof required to be made from and after such date pursuant to the Reform Act.

“*State’s Sales Tax Revenues*” means the State’s 80 percent portion of total collected sales tax receipts.

“Subordinated Interest” means interest designated as Subordinated Interest under any Supplemental Indenture authorizing a Series of Senior Bonds which are Variable Rate Bonds and which is payable from the Junior Obligation Debt Service Fund to a person who becomes a Bondholder as a result of providing a credit or liquidity enhancement facility relating to such Series.

“Subordinated Principal Installment” means any Principal Installment designated as a Subordinated Principal Installment under any Supplemental Indenture authorizing a Series of Senior Bonds which are Variable Rate Bonds and which is payable from the Junior Obligation Debt Service Fund to a person who becomes a Bondholder as a result of providing a credit or liquidity enhancement facility relating to such Series.

“Supplemental Indenture” means an indenture supplemental to or amendatory of the Master Indenture, executed and delivered by the State and the Trustee in accordance with Article VIII of the Indenture.

“Tax Act Amount” means the Tax Act Amount as defined in Section 3 of the “Retailers’ Occupation Tax Act,” approved June 28, 1933, as amended.

“Trustee” means U.S. Bank National Association, as trustee under the Indenture, or its successor as such trustee hereafter appointed in the manner provided in the Indenture and, with respect to any Supplemental Indenture, the trustee thereunder or its successor as trustee.

“Use Tax” means the tax now or hereafter imposed by the State pursuant to Section 9 of the “Use Tax Act,” approved July 14, 1955, as amended.

APPENDIX D

OUTSTANDING BONDS BUILD ILLINOIS (SALES TAX REVENUE BONDS) (As of December 31, 2011)

Senior Obligation Bonds	Note	Original Principal Amount	Date of Issuance	Bonds Outstanding
Series A		\$100,000,000	October 9, 1985	\$0
Series B		80,000,000	August 5, 1986	0
Series T-1	a	40,000,000	August 5, 1986	0
Series C	1	95,475,000	February 10, 1987	0
Series D		70,000,000	September 3, 1987	0
Series E		80,000,000	January 7, 1988	0
Series F		70,000,000	June 9, 1988	0
Series G		52,203,027	November 15, 1988	0
Series H		57,800,588	November 15, 1988	0
Series I		87,000,000	May 16, 1989	0
Series J		70,000,000	September 14, 1989	0
Series K		110,000,000	January 11, 1990	0
Series L		120,001,779	June 19, 1990	15,173,462.50
Series M		120,000,000	December 4, 1990	0
Series N		135,000,000	May 22, 1991	0
Series O	2	265,840,447	November 20, 1991	6,097,405.10
Series P		100,000,000	June 16, 1992	58,240,000
Series Q	3	416,890,000	September 23, 1992	23,645,000
Series R		100,000,000	March 16, 1993	0
Series S	4	331,645,000	September 30, 1993	0
Series U		100,000,000	February 10, 1994	0
Series V		135,000,000	October 4, 1994	0
Series W		80,000,000	December 19, 1995	0
Series X		60,000,000	March 26, 1997	0
Series Y	5	145,475,000	January 8, 1998	0
Series Z		60,000,000	February 9, 1999	0
Series May 2000		125,000,000	June 8, 2000	0
Series March 2001	6	125,165,000	March 20, 2001	43,870,000
Series June 2001		125,000,000	June 12, 2001	0
Series September 2001	7	110,450,000	October 2, 2001	67,035,000
Series April 2002		150,000,000	April 23, 2002	70,000,000
Series May 2002	8	50,310,000	May 2, 2002	50,310,000
Second Series May 2002	9	94,815,000	May 2, 2002	94,815,000
Series November 2002		182,225,000	November 26, 2002	93,225,000
Series December 2002	10	54,350,000	December 12, 2002	43,110,000

Series March 2003	11	75,775,000	March 18, 2003	64,925,000
Series July 2003		150,000,000	July 24, 2003	64,040,000
Series March 2004		200,000,000	March 4, 2004	181,500,000
Series February 2005		75,000,000	February 17, 2005	56,250,000
Series June 2005		125,000,000	June 29, 2005	95,000,000
Series March 2006		65,000,000	March 30, 2006	48,750,000
Series June 2006		150,000,000	June 20, 2006	120,000,000
Series July 2007		50,000,000	July 10, 2007	40,000,000
Series A December 2009		154,920,000	December 23, 2009	148,465,000
Series B December 2009		375,000,000	December 23, 2009	359,375,000
Series October 2011		300,000,000	November 4, 2011	300,000,000
Taxable Series of May 2012		425,040,000	May 17, 2012	425,040,000
Total Senior Bonds				\$2,468,865,867.60

Junior Obligation Bonds	Note	Original Principal Amount	Date of Issuance	Bonds Outstanding
Junior Obligation Series of June 2010	12	455,080,000	June 25, 2010	427,395,000
Total Outstanding Bonds				\$2,896,260,867.60

a

The Series T-1 Bonds were defeased on August 1, 1989.

1

The Series C Bonds advance refunded \$78,755,000 in principal amount of the Series A Bonds.

2

The Series O Bonds, in part, advance refunded \$126,215,588 in principal amount of the Series A, E, F, and H Bonds.

3

The Series Q Bonds advance refunded \$356,086,311 in principal amount of the Series A, B, D, F, G, I, J, K, M, N, and P Bonds.

4

The Series S Bonds, in part, advance refunded \$224,885,000 in principal amount of the Series C, D, F, I, J, K, M, N, and P Bonds.

5

The Series Y Bonds, in part, advance refunded \$140,130,000 in principal amount of the Series C, D, E, F, I, J, K, M, N, and O Bonds.

6

The Series March 2001 Bonds currently and advance refunded \$126,105,000 in principal amount of the Series O and V Bonds.

7

The Series September 2001 Bonds advance refunded \$107,500,000 in principal amount of the Series R, V and May 2000 Bonds

8

The Series May 2002 Bonds currently refunded \$50,790,000 in principal amount of the Series Q Bonds.

9

The Second Series May 2002 Bonds currently refunded \$97,165,000 in principal amount of the Series Q Bonds.

10

The Series December 2002 Bonds advance refunded \$54,445,000 in principal amount of the Series R and Series S Bonds.

11

The Series March 2003 Bonds currently refunded \$77,070,000 in principal amount of the Series S Bonds.

12

The Junior Obligation Series of June 2010 currently refunded \$261,495,000 in principal amount of the Series S, U, W, X, Y, Z and May 2000 and advance refunded \$209,755,000 in principal amount of Series March 2001, June 2001, November 2002, and July 2003.

APPENDIX E

GLOBAL BOOK-ENTRY SYSTEM

The following information concerning the Depository Trust Company, New York, New York, (“DTC”) has been furnished by DTC for use in this Official Statement. The State is not responsible for its accuracy or completeness.

DTC, will act as securities depository for the Series of May 2012 Bonds. The Series of May 2012 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 of May 2012 Bonds, each in the 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. DTC is owned by 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 Standard & Poor’s 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 and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series of May 2012 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 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 of May 2012 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 of May 2012 Bonds, except in the event that use of the book-entry system for the Series of May 2012 Bonds is discontinued.

To facilitate subsequent transfers, all 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 Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series of May 2012 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 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.

Redemption notices shall be sent to DTC. If less than all of the Series of May 2012 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State 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 of May 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments (including redemption proceeds) on the Series of May 2012 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 State or the Trustee, as bond registrar and paying agent for the Series of May 2012 Bonds ("**Bond Registrar**"), on payable 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, the Bond Registrar, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest (including redemption proceeds) to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Bond Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series of May 2012 Bonds at any time by giving reasonable notice to the State or the Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this Official Statement concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

APPENDIX F

CONTINUING DISCLOSURE UNDERTAKING

The following is a brief summary of certain provisions of the Undertaking of the State and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Undertaking, a copy of which is available upon request from the State.

Annual Financial Information Disclosure

The State covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements, if any (as described below), to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system. The State is required to deliver such information so that such entities receive the information by the dates specified in the Undertaking and described below.

All or a portion of the Annual Financial Information and the Audited Financial Statements 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 SEC. If the information included by reference is contained in a final official statement, the final official statement must be submitted by the State to the MSRB through EMMA.

“Annual Financial Information” means sales tax information of the type contained herein in the tables entitled “Sales Tax Revenues” and “Monthly Sales Tax Revenues.” Annual Financial Information exclusive of Audited Financial Statements will be provided to EMMA within 330 days after the last day of the State’s fiscal year.

“Audited Financial Statements” means the General Purpose Financial Statements of the State prepared in accordance with generally accepted accounting principles applicable to governmental units as in effect from time to time Audited Financial Statements will be provided through EMMA within 30 days after their availability to the Governor’s Office of Management and Budget.

Events Notification; Reportable Events Disclosure

The State covenants that it will disseminate to EMMA in a timely manner not in excess of ten business days after the occurrence of the “Reportable Event” (as described below), to the MSRB in an electronic format as prescribed by the MSRB, the disclosure of a Reportable Event. Certain Reportable Events are required to be disclosed only to the extent that such Reportable Event is material, as materiality is interpreted under the Securities Exchange Act of 1934, as amended. The “Reportable Events,” certain of which may not be applicable to the Series of May 2012 Bonds, are:

- principal and interest payment delinquencies on the Series of May 2012 Bonds;
- occurrence of any default under and as defined in the Indenture (other than as described above), if material;
- unscheduled draws on debt service reserves reflecting financial difficulties;
- unscheduled draws on credit enhancements reflecting financial difficulties;
- substitution of credit or liquidity providers, or their failure to perform;
- amendments to the Indenture modifying the rights of the beneficial owners of the Series of May 2012 Bonds, if material;
- bond calls, if material, and tender offers of the Series of May 2012 Bonds;
- defeasances of the Series of May 2012 Bonds or any portion thereof;

- release, substitution or sale of property securing repayment of the Series of May 2012 Bonds, if material;
- any change in any rating that relates to the Series of May 2012 Bonds, the State, an obligated person, credit enhancer or liquidity provider for the Series of May 2012 Bonds that could affect the value of the Series of May 2012 Bonds;
- Bankruptcy, insolvency, receivership or similar event of the State.*
- The consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Consequences of Failure of the State to Provide Information

The State shall give notice in a timely manner to EMMA and to the SID, if any, of any failure to provide disclosure of Annual Financial Information and Audited Financial Statements when the same are due under the Undertaking.

In the event of a failure of the State to comply with any provision of the Undertaking, the beneficial owner of any Series of May 2012 Bond may seek mandamus or specific performance by court order, to cause the State to comply with its obligations under the Undertaking. A default under the Undertaking shall not be deemed a default under the Indenture, and the sole remedy under the Undertaking in the event of any failure of the State to comply with the Undertaking shall be an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of the Undertaking, the State by a duly enacted order authorizing such amendment or waiver, may amend the Undertaking, and any provision of the Undertaking may be waived, if:

- (a) The amendment or the 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 State, or type of business conducted;
- (b) The Undertaking, 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 Series of May 2012 Bonds, as determined either by a party unaffiliated with the State (such as bond counsel).

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer 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 State, or if such jurisdiction has been assumed by leaving the existing governing body and 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 State.

Termination of Undertaking

The Undertaking shall be terminated if the State shall no longer have any legal liability for any obligation on or relating to repayment of the Series of May 2012 Bonds under the Indenture. The State shall give notice to EMMA in a timely manner if this paragraph is applicable.

Additional Information

Nothing in the Undertaking shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event, in addition to that which is required by the Undertaking. If the State 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 the Undertaking, the State shall have no obligation under the Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Reportable Event.

Dissemination Agent

The State may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

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