NEW ISSUE - BOOK-ENTRY ONLY **RATINGS: See "Ratings" herein**

Interest on the Bonds is included in gross income of the owners thereof for federal income tax purposes. Interest on the Bonds is not exempt from present State of Illinois income taxes. See "TAX MATTERS" herein for a more complete discussion.

$900,000,000
STATE OF ILLINOIS
GENERAL OBLIGATION BONDS,
TAXABLE BUILD AMERICA BONDS, SERIES 2010-5

Dated: Date of Delivery **Due: As shown on the inside front cover page**

This Official Statement contains information relating to the State of Illinois (the "State") and the State's general obligation bonds, to be issued as General Obligation Bonds, Taxable Build America Bonds, Series 2010-5 (the "Bonds"). The Bonds will be issued only as fully registered book-entry bonds in denominations of $5,000 or any integral thereof. The Bonds, when issued, will be registered under a global book-entry system operated by Cede & Co., as a nominee of The Depository Trust Company ("DTC"), New York, New York. See "APPENDIX C – GLOBAL BOOK-ENTRY SYSTEM." The Bonds will bear interest at the rates shown on the inside cover of this Official Statement. Interest on the Bonds will be payable January 1 and July 1 of each year, commencing January 1, 2011. Details of payment of the Bonds are described herein.

The Bonds are subject to redemption prior to maturity as set forth herein. See "THE OFFERING – REDEMPTION."

The Bonds are direct, general obligations of the State, secured by a pledge of its full faith and credit. The Bonds are issued under the General Obligation Bond Act of the State of Illinois, as amended, to provide funds to finance certain of the State's transportation projects, to finance certain of the State's capital facilities as described herein, and to pay costs of financing, including, but not limited to, the cost of issuance of the Bonds.

The Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Drinker Biddle & Reath LLP, Chicago, Illinois, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Underwriters' Counsel, Shanahan & Shanahan LLP, Chicago, Illinois. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about July 21, 2010.

Book-Running Senior Manager

Citi

Co-Senior Managers

Morgan Keegan **PNC Capital Markets LLC**

Co-Managers

BAIRD **Grigsby & Associates, Inc.**
Melvin & Company **Rice Financial Products Company**

July 14, 2010

$900,000,000
STATE OF ILLINOIS

GENERAL OBLIGATION BONDS, TAXABLE BUILD AMERICA BONDS, SERIES 2010-5

MATURITY SCHEDULE

MATURITY (July 1)	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	PRICE	CUSIP†	ISIN†
2011	$36,000,000	2.280%	2.287%	99.992	452152GK1	US452152GK17
2012	36,000,000	3.080	3.087	99.985	452152GL9	US452152GL99
2013	36,000,000	4.010	4.014	99.987	452152GM7	US452152GM72
2014	36,000,000	4.550	4.555	99.979	452152GN5	US452152GN55
2015	36,000,000	4.850	4.855	99.975	452152GP0	US452152GP04
2016	36,000,000	5.230	5.234	99.976	452152GQ8	US452152GQ86

$180,000,000 6.200% Term Bond due July 1, 2021, Price: 99.971%, CUSIP†: 452152GR6, ISIN†: US452152GR69
$504,000,000 7.350% Term Bond due July 1, 2035, Price: 100.00%, CUSIP†: 452152GS4, ISIN†: US452152GS43

STATE OF ILLINOIS

Pat Quinn
Governor

David Vaught
Director of the Governor's Office of Management and Budget

John Sinsheimer
Director of Capital Markets

PREFACE

No dealer, broker, salesperson, or other person has been authorized by the State of Illinois or the Underwriters to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the State. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 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 opinion 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 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 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 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 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.

INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

MINIMUM UNIT SALES

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF $5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 20 UNITS (BEING 20 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF $100,000).

NOTICE TO PROSPECTIVE INVESTORS LOCATED IN AUSTRALIA

Any offer of securities in connection with this notice will not be made by way of a disclosure document under Part 6D of the Corporations Act (Cth) (the "Act").

Neither the issuer nor the underwriter is required to provide to you with a prospectus or other disclosure document for the issue of securities because of the application of specific exemptions from the requirements for disclosure set out in section 708 of the Act. In particular, this notice is being provided to you on the basis that:

1. any offer in connection with this notice is a personal offer within the meaning of section 708(2) of the Act, and that offer will not result in any breach referred to in that section;

2. section 708(8) of the Act applies and you are a sophisticated investor in accordance with the terms of that section;

3. you are an experienced investor within the meaning of s 708(10) of the Act; or

4. you are a professional investor in accordance with section 708(11) of the Act).

Any documents provided in connection with this notice are furnished solely for information purposes only and may not be reproduced or redistributed to any other persons except with our prior written consent. The documents are strictly confidential.

This notice does not constitute an offer or invitation to subscribe for or to purchase any securities and neither this notice nor anything contained in it will form the basis of any contract or commitment on the part of the issuer or underwriter to issue or transfer securities to any person.

NOTICE TO RESIDENTS OF BRAZIL

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE BRAZILIAN SECURITIES COMMISSION (COMISSÃO DE VALORES MOBILIÁRIOS – "CVM"). ANY PUBLIC OFFERING, AS DEFINED UNDER BRAZILIAN LAWS AND REGULATIONS OF THE SECURITIES IN BRAZIL IS NOT LEGAL WITHOUT SUCH PRIOR REGISTRATION UNDER LAW NO. 6.385/76.

NOTICE TO RESIDENTS OF CANADA (BRITISH COLUMBIA, ONTARIO, AND QUEBEC)

The offering of the securities in Canada is being made in the Provinces of British Columbia, Ontario and Québec (each, a "Canadian Jurisdiction" and collectively, the "Canadian Jurisdictions") pursuant to exemptions from the prospectus requirements of applicable securities laws. The securities will be offered to "accredited investors" in the Canadian Jurisdictions pursuant to section 2.3 (the "Accredited Investor Exemption") of National Instrument 45-106 - *Prospectus and Registration Exemptions* of the Canadian Securities Administrators ("NI 45-106"). Under the Accredited Investor Exemption, a subscriber or any principal on whose behalf the subscriber is acting as agent (a "Canadian Purchaser") must qualify as an "accredited investor", as such term is defined in NI 45-106. All Canadian Purchasers of the securities will be required to execute a subscription agreement which will contain representations, warranties, covenants and acknowledgments of the Canadian Purchaser to establish the availability of such exemption and to ensure compliance with applicable Canadian securities laws.

Resale Restrictions

The securities acquired by Canadian Purchasers hereunder may not be sold, transferred or otherwise disposed of in any manner unless such sale, transfer or disposition complies with the resale restrictions of the securities laws of the Canadian Jurisdictions. Pursuant to applicable Canadian provincial and territorial securities laws, the securities acquired by a Canadian Purchaser hereunder will be subject to restrictions on resale until such time as:

(a) the appropriate "hold periods" have been satisfied and such purchaser has complied with other applicable requirements, including the filing of appropriate reports pursuant to applicable securities legislation;

(b) a further statutory exemption may be relied upon by such purchaser; or

(c) an appropriate discretionary order is obtained pursuant to applicable securities laws.

As the issuer is not a reporting issuer in any province or territory of Canada, the applicable hold period for the securities may never expire, and if no further statutory exemption may be relied upon and if no discretionary order is obtained, this could result in a Canadian Purchaser having to hold the securities for an indefinite period of time. Each certificate representing the securities issued to Canadian Purchasers will bear a legend indicating that the resale of such securities is restricted.

The foregoing is a summary only of applicable resale restrictions and is subject to the express provisions of applicable securities legislation. All Canadian Purchasers should consult with their own legal advisors to determine the extent of the applicable hold period and the possibilities of utilizing any further statutory exemptions or the obtaining of a discretionary order.

Indirect Collection of Personal Information

By purchasing the securities, a Canadian Purchaser acknowledges that its name, residential address, telephone number and other specified information may be disclosed to Canadian securities regulatory authorities and become available to the public in accordance with the requirements of applicable Canadian laws. By purchasing the securities, a Canadian Purchaser consents to the disclosure of such information.

By purchasing the securities, a Canadian Purchaser that is resident in the Province of Ontario acknowledges that it has been notified by the issuer: (a) of the requirement to deliver to the Ontario Securities Commission (the "OSC") the full name, residential address and telephone number of such purchaser, the number and type of securities purchased, the total purchase price, the exemption relied upon and the date of distribution; (b) that this information is being collected indirectly by the OSC under the authority granted to it in applicable securities legislation; (c) that this information is being collected for the purposes of the administration and enforcement of the securities legislation of Ontario; and (d) that the Administrative Support Clerk can be contacted at the Ontario Securities Commission, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, or at (416) 593-3684, and can answer any questions about the OSC's indirect collection of this information.

Rights of Actions for Damages or Rescission

Ontario Purchasers

The *Securities Act* (Ontario) (the "Ontario Act") provides Canadian Purchasers resident in the Province of Ontario with, in addition to any other right they may have at law, rights of rescission or damages, or both, where this document and any amendment to it contains a misrepresentation (as defined below). However, such rights must be exercised by the purchasers within the time limits prescribed by the Ontario Act. Canadian Purchasers resident in the Province of Ontario should consult with a legal advisor or refer to the applicable provisions of the Ontario Act, found in section 130.1, for the complete text of these rights, the defences available to the issuer and others and the time limits during which these rights must be exercised.

The rights of action summarized below shall be available to each Canadian Purchaser of the securities resident in Ontario and are in addition to and without derogation from any other right or remedy available at law to such purchaser and are intended to correspond to the rights against an issuer of securities provided in the Ontario Act and are subject to the defences contained therein. Where used in this section, "misrepresentation" means an untrue statement of material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

In the event that this document, together with any amendments hereto, is delivered to a Canadian Purchaser resident in Ontario and contains a misrepresentation, such purchaser shall be deemed to have relied upon such misrepresentation and has, subject as hereinafter provided, a statutory right of action against the issuer either for damages or alternatively, while still the owner of any the securities, rescission, provided that:

(a) an action is commenced to enforce such right (i) in the case of an action for rescission, within 180 days after the date of purchase, or (ii) in the case of an action for damages, within the earlier of 180 days following the date such purchaser first had knowledge of the misrepresentation and three years after the date of the purchase;

(b) a person or company will not be liable if it proves that such purchaser purchased the securities with knowledge of the misrepresentation;

(c) in the case of an action for damages, the issuer will not be liable for all or any portion of the damages that it proves does not represent the depreciation in value of the securities as a result of the misrepresentation relied upon;

(d) in no case will the amount recoverable in any action exceed the price at which the securities were sold to such purchaser; and

(e) if such purchaser elects to exercise the right of rescission, it will have no right of action for damages.

Notwithstanding the foregoing, a Canadian Purchaser resident in the Province of Ontario will not have the rights referred to above if such purchaser is:

(A) a Canadian financial institution, meaning either:

(ii) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act; or

(iii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services corporation, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction in Canada;

(B) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);

(C) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or

(D) a subsidiary of any person referred to in paragraphs (A), (B) or (C), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of the subsidiary.

The foregoing summary is subject to the express provisions of the Ontario Act and the respective regulations and rules thereunder. Each Canadian Purchaser resident in Ontario should refer to the complete text of such provisions or consult with a legal advisor.

Language of Documents

Upon receipt of this document, the purchaser hereby confirms that he, she or it has expressly requested that all documents evidencing or relating in any way to the offer and/or sale of the securities be drawn up in the English language only. *Par la réception de ce document, l'acheteur confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à l'offre ou à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

NOTICE TO PROSPECTIVE INVESTORS IN THE PEOPLES REPUBLIC OF CHINA

This memorandum has not been and will not be circulated or distributed in the Peoples Republic of China ("PRC"), and the securities may not be offered or sold, and will not be offered or sold to any person for re-offering or resale, directly or indirectly, to any residents of the PRC except pursuant to applicable laws and regulations of the PRC. For the purposes of this paragraph, the PRC does not include Taiwan, Hong Kong or Macau.

NOTICE TO PROSPECTIVE INVESTORS IN DENMARK

This offering memorandum does not constitute a prospectus under any Danish law and has not been filed with or approved by the Danish Financial Supervisory Authority as this offering memorandum has not been prepared in the context of a public offering of securities in Denmark within the meaning of the Danish Securities Trading Act or any Executive Orders issued pursuant thereto. Pursuant to Section 11 (1) of the Danish Prospectus Order No. 223 of 10 March 2010 and Section 2 of the Danish Executive Order No. 222 of March 10, 2010, this offering memorandum will only be directed to:

(i) qualified investors as defined in Section 2 of the Danish Prospectus Order No. 223 of 10 March 2010 and/or

(ii) fewer than 100 natural or legal person in Denmark, and/or

(iii) investors who acquire securities for a total consideration of at least EUR 50,000 per investor for each single offer of securities, and/or

(iv) securities which are subject to a minimum denomination equivalent to at least EUR 50,000 per security.

Accordingly, this offering memorandum may not be made available nor may the securities otherwise be marketed and offered for sale in Denmark other than in circumstances which are deemed not to be considered as marketing or an offer to the public in Denmark.

NOTICE TO PROSPECTIVE INVESTORS IN DUBAI

This statement relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority.

This statement is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person.

The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it.

The securities to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities.

If you do not understand the contents of this document you should consult an authorised financial adviser.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

This offering memorandum has been prepared on the basis that all offers of the securities will be made pursuant to an exemption under Article 3 of Directive 2003/7 1/EC (the "Prospectus Directive"), as implemented in member states of the European Economic Area (the "EEA"), from the requirement to produce a prospectus for offers of the securities. Accordingly, any person making or intending to make any offer within the EEA of the securities should only do so in circumstances in which no obligation arises for the issuer or any of the initial purchasers to produce a prospectus for such offer. Neither the issuer nor the initial purchasers have authorized, nor do they authorize, the making of any offer of securities through any financial intermediary, other than offers made by the initial purchasers, which constitute the final placement of the securities contemplated in this offering memorandum.

In relation to each Member State of the EEA that has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, the offer of any securities which is the subject of the offering contemplated by this offering memorandum is not being made and will not be made to the public in that Relevant Member State, other than: (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year, (ii) a total balance sheet of more than Euro 43,000,000, and (iii) an annual net turnover of more than Euro 50,000,000, as shown in its last annual or consolidated accounts; or (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of the securities shall require the issuer or the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of securities to the public" in relation to the securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase the securities, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/7 1/BC and includes any relevant implementing measure in each Relevant Member State.

NOTICE TO RESIDENTS OF FRANCE

The securities have not been offered or sold and will not be offered or sold, directly or indirectly, by way of a public offer in France (Offre au Public, as defined in articles l. 411-1, of the Code Monétaire et Financier). The securities may only be subscribed for or held by qualified investors (Investisseurs Qualifiés), as defined by articles l. 411-2, d. 411-1 and d. 411-2 of the Code Monétaire et Financier,.

This memorandum is furnished to potential qualified investors solely for their information and may not be reproduced or redistributed to any other person. It is strictly confidential and is solely destined for qualified investors to which it was initially supplied. This memorandum does not constitute an offer or invitation to subscribe for or to purchase any securities and neither this memorandum nor anything herein shall form the basis of any contract or commitment whatsoever.

This memorandum or any other material relating to the securities may not be distributed to the public in France or used in connection with any offer for subscription or sale of securities in France other than in accordance with articles l. 411-2, d. 411-1 and d. 411-2 of the code Monétaire et Financier. This memorandum has not been submitted to the "Autorité des Marchés Financiers" for approval and does not constitute an offer for sale or subscription of securities. Any contact with potential qualified investors in France does not and will not constitute financial and banking solicitation (Démarchage Bancaire et Financier) as defined in articles l. 341-1 et seq. Of the code Monétaire et Financier.

NOTICE TO PROSPECTIVE INVESTORS IN GERMANY

The securities have not been, will not be and may not be offered, promoted or sold, either directly or indirectly, in Germany by way of an offer to the public within the meaning of section 2 No. 4 of the Securities Prospectus Act (Wertpapierprospektgesetz). The securities may only be offered to, sold to, subscribed for or held by qualified investors within the meaning of section 2 No. 6 of the Securities Prospectus Act or, if applicable, any person in Germany whose professional or commercial activities involve them in the acquiring or disposing of investments within the meaning of section 8f subsection 2 No. 4 of the Sales Prospectus Act (Verkaufsprospektgesetz) either as principal or agent.

This document does not constitute an offer to subscribe for or buy any of the securities offered hereby to any person to whom it is unlawful to make such offer or solicitation in Germany. This document is given to potential investors solely for their information and may not be distributed to any other person. It is confidential and solely targeted at the recipients, i.e. qualified investors within the meaning of section 2 No. 6 of the Securities Prospectus Act, to which it has been initially supplied.

NOTICE TO RESIDENTS OF HONG KONG

The securities have not been authorised by the securities and futures commission in Hong Kong for public offering in Hong Kong, nor has a copy of this memorandum been registered with the registrar of companies in Hong Kong.

The securities may not be offered or sold by means of any document other than (i) in circumstances which do not constitute, or form part of, an offer to the public within the meaning of the companies ordinance (Cap.32 of the laws of Hong Kong), or (ii) to "professional investors" within the meaning of the securities and futures ordinance (Cap.571 of the laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the companies ordinance (Cap.32 of the laws of Hong Kong), and that no advertisement, invitation or document relating to the securities may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the securities which are or are intended to be sold or otherwise disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the securities and futures ordinance (cap. 571 of the laws of Hong Kong) and any rules made thereunder.

NOTICE TO RESIDENTS OF JAPAN

The securities have not been and will not be registered under the financial instruments and exchange law of Japan (law no. 25 of 1948, as amended, the "FIEL"). The securities may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

NOTICE TO PROSPECTIVE INVESTORS IN KOREA

The securities have not been and will not be registered under the Financial Investments Services and Capital Markets Act of Korea and the decrees and regulations thereunder (the "FSCMA") and the securities have been and will be offered in Korea as a private placement under the FSCMA. None of the securities may be offered, sold and delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction Law of Korea and the decrees and regulations thereunder (the "FETL"). For a period of one year from the issue date of the securities, the denomination of the securities may not be sub-divided. Furthermore, the purchaser of the securities shall comply with all applicable regulatory requirements (including but not limited to requirements under the FETL) in connection with the purchase of the securities.

Each underwriter will represent and agree that it has not offered, sold or delivered the securities directly or indirectly to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea and will not offer, sell or deliver the securities directly or indirectly to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FSCMA, the FETL and other relevant laws and regulations of Korea.

NOTICE TO PROSPECTIVE INVESTORS IN THE NETHERLANDS

1. In accordance with the Dutch Financial Supervision Act ("Wet op het Financieel Toezicht" or "Wft") and the Wft Exemptions Regulation (in Dutch: "Vrijstellingsregeling Wft") a straight forward offering of the securities to the public in the Netherlands requires publication of a prospectus that is duly approved by the competent Dutch authority (i.e. Netherlands Authority for the Financial Markets, in Dutch: "Autoriteit Financiële Markten" or "AFM") or by a competent authority of another European Member State, unless:

   (a) the securities are offered exclusively to qualified investors as defined in the Wft; and/or

   (b) the securities are offered to less than 100 people, not being qualified investors as defined in the Wft; and/or

   (c) the securities are offered in minimum lots of EUR 50,000 in terms of nominal value or subscription price; and/or

   (d) the total consideration value of the offering of securities involves a total amount of less than EUR 100,000 calculated over a 12-month-period; and/or

   (e) the offering of securities forms part of an offer under which the total consideration value of the offer, calculated over a period of twelve months, does not exceed EUR 2.5 million, provided that in all relevant documentation and advertisements the offeror mentions that the offer in question is exempted from the statutory requirement to publish a prospectus; and/or

   (f) the securities are offered to investors, not being qualified investors, who have concluded a written mandate agreement ("schriftelijke overeenkomst van lastgeving") with an asset manager entitled to provide investment services under the law of the Netherlands and who is entitled in terms of that agreement to undertake or realise transactions at his own discretion without taking orders from or consulting with the investors who granted the mandate.

2. In light of the above, the securities that are offered to you without publication of a prospectus that is duly approved by the AFM or by a competent authority of another European Member State shall not be deemed to be in violation of the Wft and the Wft Exemption Regulation, if and insofar as:

   (a) you are a qualified investor as defined in the Wft; and /or

   (b) you are not a qualified investor as defined in the Wft, but you have concluded a written mandate agreement ("schriftelijke overeenkomst van lastgeving") with an asset manager entitled to provide investment services under the law of the Netherlands and who is entitled in terms of that agreement to undertake or realise transactions in the securities at his own discretion without being required to take orders from or consult with you; and/or

   (c) you invest at least EUR 50,000 in the acquisition of the securities.

3. The offering of securities is only aimed at, directed and made to prospective investors in The Netherlands who fall within the scope of par. 2 above and, therefore, any response to an offer of securities made by an investor that does not fall within the scope of par. 2 above shall not be

deemed to constitute nor imply acceptance of the offer and the offeror shall in that case not be held to sell the securities to that investor.

4. This notice is furnished to prospective investors in The Netherlands only in connection with this prospectus and is solely for their information. This opinion is not to be used, circulated, quoted or otherwise relied upon by any other person or entity or, for any purpose.

NOTICE TO PROSPECTIVE INVESTORS IN NEW ZEALAND

No action has been taken to authorize the offer of any of the securities to the public in New Zealand. Accordingly, the securities may not be offered or sold, or re-offered or resold, and this memorandum or any other material in connection with the securities may not be issued, circulated, delivered or distributed, in New Zealand, either directly or indirectly, other than to:

(a) persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money;

(b) persons who are each required to pay a minimum subscription price of at least $500,000 for the securities before the allotment of those securities;

(c) persons who have each, in a single transaction, previously paid the issuer of the current securities a minimum subscription price of at least $500,000 for other securities issued by the same entity before the allotment of such other securities and provided that the offer of the current securities is made within 18 months of the date of the first allotment of the previous securities; or

(d) persons who are “eligible persons” (as defined in Section 5(2CC) of the Securities Act 1978 (NZ)),in each case as interpreted in accordance with the Securities Act 1978 (NZ) and the laws of New Zealand.

All persons into whose possession this material may come must inform themselves about and strictly observe the restrictions detailed in the preceding sentence.

This memorandum is not a New Zealand registered prospectus or investment statement, the content of which is prescribed by the Securities Act 1978 (NZ) and other laws, and does not contain the information that such documents would be required to contain.

NOTICE TO PROSPECTIVE INVESTORS IN NORWAY

The securities have not and will not be offered or sold, directly or indirectly, to any person in the Norway, other than to legal and physical persons deemed to be professional investors as further defined in Section 7-1 of the Norwegian Regulation of Securities Trading (“the Regulation”).

Professional investors are categorized as:

(i) Legal entities that are deemed to be professional investors without further requirements, cf. Section 7-1 (1) of the Regulation,

(ii) Legal and physical persons that must be registered with the competent authority responsible for inspecting prospectuses in order to be deemed professional investors, cf. Section 7-1 (2) and (3) of the Regulation.

This memorandum is furnished to potential investors solely for their information and may not be reproduced or redistributed to any other person. It is strictly confidential and is solely destined for persons or institutions to which it was initially supplied. This memorandum does not constitute an offer or invitation to subscribe for or to purchase any securities. Neither this memorandum nor anything herein shall form the basis of any contract or commitment whatsoever.

This memorandum has not been submitted to the Oslo Stock Exchange / the Norwegian Financial supervisory authority for approval.

Investment services, including offering and subscription of securities, can only be made through investment firms authorized by the Financial Supervisory Authority of Norway, cf. the Norwegian Securities Trading Act chapter 9. The issuer reserves its rights, at its sole discretion, to reject any subscription made through non-authorized investment firms.

SELLING RESTRICTIONS FOR OFFER OF SECURITIES IN SINGAPORE TO ACCREDITED INVESTORS AND INSTITUTIONAL INVESTORS

Neither this document nor any other document or material in connection with any offer of the securities has been or will be lodged or registered as a prospectus with the Monetary Authority of Singapore (MAS) under the Securities and Futures Act (Cap.289) of Singapore (SFA). Accordingly, MAS assumes no responsibility for the contents of this document. This document is not a prospectus as defined in the SFA and statutory liability under the SFA in relation to the contents of prospectuses would not apply.

This document and any other documents or materials in connection with this offer and the securities may not be directly or indirectly issued, circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under section 274 of the SFA; (ii) to a relevant person (as defined in section 275(2) of the SFA) pursuant to section 275(1) of the SFA; (iii) to any person pursuant to the conditions of section 275(1A) of the SFA; or (iv) otherwise pursuant to, and in accordance with, the conditions of any other applicable provisions of the SFA.

Any subsequent offers in Singapore of securities acquired pursuant to an initial offer made in reliance on an exemption under section 274 of the SFA or section 275 of the SFA may only be made, pursuant to the requirements of section 276 of the SFA, for the initial six month period after such acquisition to persons who are institutional investors (as defined in section 4A of the SFA) or to accredited investors and certain other persons (as set out in section 275 of the SFA). Any transfer after such initial six month period in Singapore shall be made, pursuant to the requirements of section 257 of the SFA, in reliance on any applicable exemption under Subdivision (4) of Division 1 of Part XIII of the SFA.

In addition to the above, pursuant to the requirements of section 276(3) of the SFA, where the securities are acquired pursuant to an offer made in reliance on the exemption under section 275 of the SFA by a corporation (other than a corporation that is an accredited investor (as defined in section 4A of the SFA)) whose sole business is to hold investments and the entire share capital of which is owned by one or more individuals each of whom is an accredited investor (as defined in section 4A of the SFA), securities of such corporation shall not be transferred within 6 months after the corporation has acquired the securities pursuant to an offer made in reliance on the exemption under section 275 of the SFA unless that transfer is made only to institutional investors (as defined section 4A of the SFA) or relevant persons (as defined in section 275(2) of the SFA); or arises from an offer referred to in section 275(1A) of the SFA; or no consideration is or will be given for the transfer; or the transfer is by operation of law. This restriction does not apply to Securities previously made in or accompanied by a prospectus and which are of the same class as other securities of a corporation listed on the Singapore Exchange Securities Trading Limited.

Pursuant to the requirements of section 276(4) of the SFA, where the securities are acquired pursuant to an offer made in reliance on the exemption under section 275 of the SFA for a trust (other than a trust the trustee of which is an accredited investor (as defined in section 4A of the SFA)) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor (as defined in section 4A of the SFA), the beneficiaries' rights and interest (howsoever described) in the trust shall not be transferred within 6 months after the securities are acquired for the trust pursuant to an offer made in reliance on the exemption under section 275 of the SFA unless that transfer is made only to institutional investors (as defined in section 4A of the SFA) or relevant persons (as defined in section 275(2) of the SFA); or arises from an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets; or no consideration is or will be given for the transfer; or the transfer is by operation of law. This restriction does not apply to securities previously made in or accompanied by a prospectus and which are of the same class as other securities of a corporation listed on the Singapore Exchange Securities Trading Limited.

NOTICE TO SWEDISH INVESTORS

This offering document has not been, and will not be, registered with or approved by the Swedish Financial Supervisory Authority (*Sw.* Finansinspektionen). Accordingly, this offering document is not intended for and may not be made available to the public in Sweden. Nor may the securities otherwise be marketed and offered for sale, other than under circumstances that are deemed not to be an offer to the public in Sweden under the Swedish Financial Instruments Trading Act (1991:980). Notwithstanding the above, if the offer is deemed as an offer to the public in Sweden, please note that the offer is directed solely to qualified investors.

NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND

This memorandum together with the any accompanying documents does not constitute an issue prospectus to Art. 1156 and Art. 652a of the Swiss Federal Code of Obligations. The securities may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors. This memorandum together with any accompanying documents and any other supplement hereto are personal to each offeree and do not constitute an offer to any other person. This memorandum together with any accompanying documents may only be used by those persons to whom they have been distributed in connection with the offering of the securities and may neither be copied nor directly or indirectly be distributed nor be made available to other persons without the express prior written consent of the Issuer.

NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN

The offer of the securities has not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations of Taiwan and the securities, including any copy of this document or any other documents relating to the securities, may not be offered, sold, delivered or distributed within Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan that requires the prior registration with or approval of the Financial Supervisory Commission of Taiwan. Taiwan investors who subscribe and purchase the securities shall comply with all relevant securities, tax and foreign exchange laws and regulations in effect in Taiwan.

NOTICE TO PROSPECTIVE INVESTORS IN THE KINGDOM OF THAILAND

Warnings:

Prior to making an investment decision, investors should exercise their own judgment when considering information relating to a party issuing securities or bonds as well as the terms and conditions of the securities or bonds, including the suitability of such securities or bonds for investment and their relevant risk exposure. Nothing in the prospectus should be read to represent or even suggest that the Securities and Exchange Commission or the Office of the Securities and Exchange Commission have recommended investment in the offered securities or bonds; nor does the prospectus contain any assurance in relation to the value or returns on the offered securities or bonds; nor has the Securities and Exchange Commission or the Office of the Securities and Exchange Commission certified the accuracy and completeness of information contained in the prospectus. The liability for certification of the accuracy and completeness of information contained in the prospectus is vested in the offeror of the securities or bonds.

If the prospectus contains any false statements or omits to state any material information which should have been disclosed, the securities or bond holders shall be entitled to claim damages from the securities or bond offeror or the securities or bond owners pursuant to section 82 of the Securities and Exchange Act B.E. 2535 (1992) within one year from the date on which the fact that this prospectus contained false information becomes known or should have been known, but not exceeding two years from the date the prospectus was delivered to the bond or securities holders.

Risks and restrictions:

In respect of investing in securities or bonds offered in Thailand by a foreign offeror, investors shall be entitled to rights and protections similar in nature to those provided by any foreign jurisdiction to investors making direct investments in the securities or bonds offered. Accordingly, investors are strongly encouraged to review and update themselves on the pertinent laws and regulations of the foreign offeror's home jurisdiction and of any jurisdiction where the securities or bonds of the foreign offeror are traded on an exchange.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED ARAB EMIRATES

The documents have not been reviewed, approved or licensed by the UAE Central Bank or any other relevant licensing authorities or governmental agencies in the United Arab Emirates. This document is strictly private and confidential and has not been reviewed, deposited or registered with any licensing authority or governmental agency in the United Arab Emirates, and is being issued to a limited number of institutional or private investors and must not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose. The securities may not be offered or sold directly or indirectly to the public in the United Arab Emirates.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This offering memorandum is for distribution only to, and is directed solely at, persons who (i) are outside the United Kingdom, (ii) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), (iii) are persons falling within Article 49(2)(a) to (d) of the Financial Promotion Order, or (iv) are persons to whom an invitation or inducement to engage in investment banking activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise be lawfully communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this offering memorandum or any of its contents.

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TABLE OF CONTENTS

$900,000,000
State of Illinois
General Obligation Bonds,
Taxable Build America Bonds, Series 2010-5

INTRODUCTION

This introduction contains only a brief summary of certain terms of the Bonds being offered and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Illinois Constitution and laws of the State of Illinois and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions.

The purpose of this Official Statement (which includes the cover page and the Appendices) is to set forth certain information concerning the State of Illinois (the "State") and the State's $900,000,000 General Obligation Bonds, Taxable Build America Bonds, Series 2010-5 (the "Bonds"). The Bonds are being issued to provide funds to finance certain of the State's transportation projects, to finance certain of the State's capital facilities, and to pay costs of financing, including, but not limited to, the costs of issuance of the Bonds. The Bonds are issued pursuant to the provisions of the General Obligation Bond Act of the State of Illinois, as amended (the "Bond Act").

In February 2009, as part of the American Recovery and Reinvestment Act of 2009 (the "ARRA"), Congress added provisions to the Internal Revenue Code of 1986, as amended (the "Code"), which permit state or local governments to obtain certain financial advantages when issuing certain taxable obligations, referred to as "Build America Bonds." The State has authorized the issuance of Build America Bonds pursuant to Public Act 96-0828. The State will make an irrevocable election to treat the Bonds as Build America Bonds that are "qualified bonds" within the meaning of Section 54AA(g) of the Code. As a result of this election, interest on the Bonds is included in the gross income of the owners thereof for federal income tax purposes and the owners of the Bonds will not be entitled to any tax credits as a result of either the ownership of the Bonds or receipt of any interest payments on the Bonds. See "TAX MATTERS."

Pursuant to the ARRA, the State expects to receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the Bonds on or about each interest payment date (the "Subsidy Payments"). The Subsidy Payments are required to be paid to the State by the United States Treasury under the ARRA. The Subsidy Payments received by the State will be deposited into the State Treasury. See "THE OFFERING – SECURITY – STATE FUNDING PAYMENTS." Such payments are not pledged to secure payment of the Bonds.

Illinois is a sovereign state of the United States and is an issuer of debt securities. The State's powers and functions are subject to the Illinois Constitution of 1970 (the "Illinois Constitution") and to laws adopted by the Illinois General Assembly (the "General Assembly"), limited only by federal law and jurisdiction. See "STATE OF ILLINOIS."

The State has diversified economic strengths. Measured by per capita personal income, the State ranks fourth among the ten most populous states and thirteenth among all states. Illinois ranks third among all states in total cash receipts from crops, second in agricultural exports and ranks among the top states in several measures of manufacturing activity. Chicago, the largest city in the State, is the third most populous city in the United States and serves as the transportation center of the Midwestern U.S. and the headquarters of many of the nation's major corporations and financial institutions. See "STATE OF ILLINOIS" and "APPENDIX A" for further information regarding the State.

SECURITY

The Bonds are direct, general obligations of the State, and, pursuant to the Bond Act, the full faith and credit of the State is pledged for the punctual payment of interest on all GO Bonds (as hereinafter defined) issued under the Bond Act, including the Bonds, as it comes due and for the punctual payment of the principal thereof at maturity, or any earlier redemption date, and premium, if any. These provisions are irrepealable until all GO Bonds issued under the Bond Act are paid in full as to both principal and interest. See "THE OFFERING – SECURITY."

TAX TREATMENT OF INTEREST

Interest on the Bonds (i) is included in the gross income of the owners thereof for federal income tax purposes and (ii) is not exempt from present State of Illinois income taxes. See "TAX MATTERS" herein for a more complete discussion.

AUTHORITY FOR ISSUANCE

The Bond Act authorizes the State to issue and sell direct, general obligations of the State (the "GO Bonds"), including the Bonds, for purposes other than refunding, in the currently authorized aggregate principal amount of $36,486,777,443 of which $22,540,364,170 is outstanding, including the Bonds and the $300,000,000 General Obligation Bonds, Taxable Build America Bonds, Series 2010-4 (the "Series 2010-4 Bonds") issued July 1, 2010. The Bond Act further authorizes the issuance of GO Bonds in the amount of up to $4,839,025,000, at any time and from time-to-time outstanding, for the purpose of refunding any outstanding GO Bonds. The Bond Act consolidated the authorization contained in prior bond acts into a single act. See "INDEBTEDNESS – GENERAL OBLIGATION BONDS" for a description of the authorized and previously issued GO Bonds under the Bond Act and prior bond acts.

The Bonds are being issued pursuant to authorization contained in Sections 3 and 5 of the Bond Act to provide funds to finance certain of the State's transportation projects and to finance certain of the State's capital facilities, as described herein, and to pay costs of financing, including, but not limited to, the costs of issuance of the Bonds.

The amendments to the Bond Act, effective July 30, 2004 (the "Amendments"), placed certain restrictions on the issuance of GO Bonds. The Amendments include the following: (i) at least 25% of the GO Bonds issued within a fiscal year must be sold pursuant to notice of sale and public bid; (ii) GO Bonds must be issued with principal or mandatory redemption amounts in equal amounts in each fiscal year beginning the year following issuance and for a term not to exceed 25 years, with the first maturity issued occurring within the fiscal year in which the GO Bonds are issued or within the next succeeding fiscal year; and (iii) GO Bonds may not be issued if, after their issuance, in the next State fiscal year, the amount of debt service on all then-outstanding GO Bonds exceeds 7% of the General Funds (as described in Table 1 under the heading "STATE FINANCIAL INFORMATION") and Road Fund appropriations for the fiscal year immediately prior to the fiscal year of the issuance (the Illinois State Treasurer (the "Treasurer") and Illinois State Comptroller (the "Comptroller"), acting together, can waive this requirement). The amendments also require the Governor's Office of Management and Budget ("GOMB") to comply with the Business Enterprise for Minorities, Females, and Persons with Disabilities Act (30 ILCS 575/1, *et seq*.) in respect to procuring services for the issuance of GO Bonds.

THE OFFERING

DESCRIPTION OF BONDS

The Bonds will bear interest from their issue date and will mature on July 1 of each of the years and in the amounts set forth on the inside front cover page of this Official Statement. Interest on the Bonds is payable semiannually on the first days of January and July of each year, beginning on January 1, 2011, at the rates per annum for each maturity as set forth on the inside front cover page of this Official Statement. Interest payable on a date that is not a Business Day (as hereinafter defined) will be payable on the immediately succeeding Business Day.

Purchases of the 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 Bonds. Principal of, premium, if any, and interest on the Bonds will be paid by the Treasurer, as bond registrar and paying agent (the "Bond Registrar"), to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "APPENDIX C—GLOBAL BOOK-ENTRY SYSTEM."

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ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each fiscal year the annual debt service requirements (rounded to the nearest dollar) on the Bonds.

FISCAL YEAR ENDING JUNE 30	PRINCIPAL	SINKING FUND REQUIREMENT	INTEREST[1]	TOTAL
2011	$ 0	$	$25,264,000	$25,264,000
2012	36,000,000		56,433,600	92,433,600
2013	36,000,000		55,468,800	91,468,800
2014	36,000,000		54,192,600	90,192,600
2015	36,000,000		52,652,800	88,652,800
2016	36,000,000		50,959,800	86,959,800
2017	36,000,000		49,145,400	85,145,400
2018		36,000,000	47,088,000	83,088,000
2019		36,000,000	44,856,000	80,856,000
2020		36,000,000	42,624,000	78,624,000
2021		36,000,000	40,392,000	76,392,000
2022		36,000,000†	38,160,000	74,160,000
2023		36,000,000	35,721,000	71,721,000
2024		36,000,000	33,075,000	69,075,000
2025		36,000,000	30,429,000	66,429,000
2026		36,000,000	27,783,000	63,783,000
2027		36,000,000	25,137,000	61,137,000
2028		36,000,000	22,491,000	58,491,000
2029		36,000,000	19,845,000	55,845,000
2030		36,000,000	17,199,000	53,199,000
2031		36,000,000	14,553,000	50,553,000
2032		36,000,000	11,907,000	47,907,000
2033		36,000,000	9,261,000	45,261,000
2034		36,000,000	6,615,000	42,615,000
2035		36,000,000	3,969,000	39,969,000
2036		36,000,000†	1,323,000	37,323,000

[1]Does not reflect the Subsidy Payments.
†Final Maturity

REDEMPTION

Optional Redemption

The 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 in integral multiples of $5,000, at a redemption price equal to the Make-Whole Redemption Price. The "Make-Whole Redemption Price" is the greater of (i) 100% of the principal amount of the 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 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the 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 50 basis points with respect to the Bonds, plus accrued and unpaid interest on the 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 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 Bonds maturing July 1, 2021 and July 1, 2035 (the "Term Bonds") are subject to redemption prior to their stated maturity date, in part, pro rata, from mandatory sinking fund payments made by the State, at a redemption price of 100% of the principal amount thereof plus accrued interest to the sinking fund payment date fixed for redemption, on July 1, of the years, and in the amounts, designated below:

July 1, 2021 Term Bond Sinking Fund Payment Date (July 1)	Principal Amount	July 1, 2035 Term Bond Sinking Fund Payment Date (July 1)	Principal Amount
2017	$36,000,000	2022	$36,000,000
2018	36,000,000	2023	36,000,000
2019	36,000,000	2024	36,000,000
2020	36,000,000	2025	36,000,000
2021	36,000,000†	2026	36,000,000
		2027	36,000,000
		2028	36,000,000
		2029	36,000,000
		2030	36,000,000
		2031	36,000,000
		2032	36,000,000
		2033	36,000,000
		2034	36,000,000
		2035	36,000,000†

†Final Maturity

If the Term Bonds are called for optional redemption in part (see "THE OFFERING – REDEMPTION – *Optional Redemption*" and "THE OFFERING – REDEMPTION – *Extraordinary Optional Redemption*"), the remaining mandatory sinking fund installments for the Term Bonds shall be adjusted pro rata.

The State may provide for the purchase of Term Bonds that is subject to mandatory sinking fund redemption from its lawfully available funds on or prior to the 60th day preceding any mandatory sinking fund payment date in an amount sufficient to retire the required amount of such Term Bond on such mandatory sinking fund payment date. Any Term Bond so purchased will be cancelled and credited against the mandatory sinking fund payments due on such mandatory sinking fund payment date.

Extraordinary Optional Redemption

The Bonds are subject to redemption prior to maturity at the option of the State, on any Business Day, in whole or in part upon the occurrence of an Extraordinary Event (as defined below), at a redemption price (the "Extraordinary Redemption Price") equal to the greater of: (i) 100% of the principal amount of the

Bonds to be redeemed; or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed, discounted to the date on which such 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 plus 100 basis points; plus, in each case, accrued interest on such Bonds to be redeemed to the redemption date. The term "Extraordinary Event" means a change that has occurred to Section 54AA or Section 6431 of the Code, or to any guidance published by the Internal Revenue Service or the United States Treasury with respect to such sections or any other determination by the Internal Revenue Service or the United States Treasury, pursuant to which the Subsidy Payments with respect to interest paid on the Bonds is reduced or eliminated.

Redemption Procedure

Bonds will be redeemed only in the principal amount of $5,000 and integral multiples thereof. For purposes of any redemption of less than all of the outstanding Bonds, the particular Bonds or portions of Bonds to be redeemed from such maturities as may be selected by the State will be selected from the outstanding Bonds subject to such redemption on a "pro rata" basis with respect to each DTC Participant. For these purposes, "pro rata" means with respect to the allocation of the principal amount of Bonds of any maturity to be redeemed, the application of a fraction to such amount, the numerator of which is equal to the principal amount of such Bonds of such maturity held by the DTC Participant and the denominator of which is equal to the total principal amount of such Bonds of such maturity then outstanding and then rounding the product to the next lower integral multiple of $5,000. The Bond Registrar shall instruct DTC to provide for "pro rata" redemption from each DTC Participant using the foregoing method. Neither the State nor the Bond Registrar has any responsibility or obligation to the registered owners of the Bonds or the DTC Participants to insure that DTC will properly select such Bonds for redemption.

Notice of any redemption of 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 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 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 Bond, or any defect therein as to any Bond, will not affect the validity of the proceedings for the redemption of any other 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 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 Make-Whole Redemption Price. 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 Bonds, the applicable Make-Whole Redemption Price 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 Bonds will not be redeemed. Unless the notice of redemption is made conditional as described above, on or prior to any redemption date, the State Treasurer shall provide for deposit with the Bond Registrar of an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

When notice of redemption and the redemption price have been given as hereinabove provided, the Bonds or portions of 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 therefor, such Bonds or portions of Bonds shall cease to bear interest.

PLAN OF FINANCE

The net proceeds of sale of the Bonds will be used to provide funds to finance certain of the State's transportation projects, finance certain of the State's capital facilities and pay costs of financing, including, but not limited to, the cost of issuance of the Bonds. See "THE OFFERING - APPLICATION OF BOND PROCEEDS."

APPLICATION OF BOND PROCEEDS

The Bond proceeds will be applied approximately as set forth below:

Sources:	
Principal Amount Issued	$900,000,000
Less Original Issue Discount	(90,360)
Total Sources	$899,909,640
Uses:	
Deposit in the Project Fund	$894,509,736
Underwriters' Discount	4,649,904
Issuance Expenses	750,000
Total Uses	$899,909,640

SECURITY

DIRECT, GENERAL OBLIGATIONS

The Bonds, together with all other GO Bonds, are direct, general obligations of the State, and by law the full faith and credit of the State is pledged for the punctual payment of interest on the Bonds as the interest becomes due and for the punctual payment of the principal thereof at maturity, or any earlier redemption date, and premium, if any. The Bond Act provides that the sections of the Bond Act making such pledge are irrepealable until all GO Bonds issued under the Bond Act, including the Bonds, have been paid in full.

In order to pay its General Fund obligations, including without limitation, principal and interest on the Bonds, the State currently imposes various taxes and fees. See "STATE FINANCIAL INFORMATION – TAX STRUCTURE."

STATE FUNDING PAYMENTS

To provide for the manner of repayment of the Bonds, the Bond Act requires the Governor of the State (the "Governor") to include an appropriation in each annual State Budget of moneys in such amount as will be necessary and sufficient, for the period covered by such budget, to pay the interest, as it becomes payable, on all outstanding GO Bonds and to pay and discharge the principal and premium, if any, of such GO Bonds falling due during such period.

The Bond Act also creates a separate fund in the State Treasury called the "General Obligation Bond Retirement and Interest Fund" (the "GOBRI Fund") to be used for such repayment. The Bond Act

requires the General Assembly annually to make appropriations to pay the principal of, interest on and premium, if any, on outstanding GO Bonds from the GOBRI Fund. The State intends to deposit the full amount of interest payable on the Bonds, with no deduction or offset for Subsidy Payments expected to be received as described under "INTRODUCTION", together with the principal of and premium, if any, on the Bonds in the GOBRI Fund.

If for any reason there are insufficient funds in the General Revenue Fund, or with respect to bonds issued for Transportation A-Highway purposes (or bonds issued to refund bonds issued for such purposes) in the Road Fund, to make transfers to the GOBRI Fund as required by the Bond Act, or if for any reason the

General Assembly fails to make appropriations sufficient to pay the principal of, interest on and premium, if any, on the GO Bonds, when due, the Bond Act constitutes an irrevocable and continuing appropriation of all amounts necessary for that purpose, and the irrevocable and continuing authority for and direction to the Treasurer and the Comptroller to make the necessary transfers, as directed by the Governor, out of and disbursements from the revenues and funds of the State.

Upon delivery of the Bonds, the Bond Act requires the Comptroller to compute and certify to the Treasurer the total amount of principal of and interest on the Bonds that will be payable in order to retire such Bonds and the amount of principal of and interest on such Bonds that will be payable on each payment date during the then current and each succeeding fiscal year.

On or before the last day of each month, the Bond Act requires the Treasurer and Comptroller to transfer from the General Revenue Fund, or with respect to GO Bonds issued for Transportation A-Highway purposes (or GO Bonds issued to refund GO Bonds issued for such purposes) the Road Fund, to the GOBRI Fund an amount sufficient to pay the aggregate of the principal of and interest on such GO Bonds payable by their terms on the next payment date divided by the number of full calendar months between the date of the GO Bonds and the first such payment date, and thereafter, divided by the number of months between each succeeding payment date after the first payment date. This transfer of moneys is not required if moneys in the GOBRI Fund are more than the amount otherwise to be transferred as hereinabove provided, and if the Governor or his authorized representative notifies the Treasurer and Comptroller of such fact in writing.

Except as described in the next paragraph, moneys in the GOBRI Fund are used only for the payment of the principal of and interest on all GO Bonds issued under the Bond Act and for the payment of the principal of and interest on short-term cash flow obligations issued from time to time as described under the heading "INDEBTEDNESS – SHORT-TERM DEBT". However, moneys deposited into the GOBRI Fund to provide for the payment of short-term debt certificates are excluded from any calculation used in determining the ability of the State to suspend transfers to the GOBRI Fund for the payment of the Bonds as described above.

INVESTMENT OF FUNDS

The Treasurer may, with the Governor's approval, invest and reinvest any money in the GOBRI Fund which is not needed for current expenditures due or about to become due from such Fund in securities constituting direct obligations of the United States government, or obligations the principal of and interest on which are guaranteed by the United States government, or certificates of deposit of any state or national bank or savings and loan association. For amounts not insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or their lawful successors, as security the Treasurer is required to accept securities constituting direct obligations of the United States government, or obligations the principal of and interest on which are guaranteed by the United States government. Earnings received from such investments will be paid into the GOBRI Fund.

STATE OF ILLINOIS

ORGANIZATION

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 Illinois Constitution provides that all elected officials of the Executive Branch of the State government hold office for four-year terms. Pursuant to the State Constitution, these officials were elected at a general election in November 2006 and took office as of January 8, 2007. The current

Governor, Pat Quinn, was elected Lieutenant Governor in such election, took office as Lieutenant Governor on January 8, 2007, and took office as Governor on January 30, 2009, after Rod R. Blagojevich was removed from such office by the State Senate. The next State general election will be held on November 2, 2010.

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.

The judicial branch is composed of the Supreme Court, the Appellate Courts and the Circuit Courts.

CONSTITUTIONAL PROVISIONS RELATING TO REVENUES AND EXPENDITURES

Article VIII, Section 2 of the State Constitution requires the Governor to prepare and submit to the General Assembly, at a time prescribed by law, a State budget for the ensuing fiscal year. Proposed expenditures may not exceed funds estimated to be available for the fiscal year as shown in the budget. Article VIII, Section 2 also requires the General Assembly to review the proposed budget and make appropriations for all expenditures of public funds by the State, which appropriations for a fiscal year may not exceed funds estimated by the General Assembly to be available during that fiscal year.

Article IV, Section 9 of the State Constitution provides that the Governor may reduce or veto any item of appropriations in a bill passed and presented to him by the General Assembly. Portions of a bill not reduced or vetoed become law. An item vetoed is returned to the house in which it originated and may become law upon approval of three-fifths of the members of each house. An item reduced in amount may be restored to the original amount upon approval of a majority of the members elected to each house.

CONSTITUTIONAL PROVISIONS RELATING TO LONG-TERM BORROWING

Section 9(a) of Article IX of the State Constitution defines the term "State debt" as "bonds or other evidences of indebtedness which are secured by the full faith and credit of the State or are required to be repaid, directly or indirectly, from tax revenue .... "

Section 9(b) of Article IX of the State Constitution, pursuant to which the Bond Act was enacted, provides:

> (b) State debt for specific purposes may be incurred or the payment of State or other debt guaranteed in such amounts as may be provided either in a law passed by the vote of three-fifths of the members elected to each house of the General Assembly or in a law approved by a majority of the electors voting on the question at the next general election following passage. Any law providing for the incurring or guaranteeing of debt shall set forth the specific purposes and the manner of repayment.

CONSTITUTIONAL PROVISIONS RELATING TO REFUNDINGS

Section 9(e) of Article IX of the State Constitution provides the constitutional authority to refund State debt, by providing the following:

> (e) State debt may be incurred by law to refund outstanding State debt if the refunding debt matures within the term of the outstanding State debt.

CONSTITUTIONAL PROVISIONS RELATING TO SHORT-TERM BORROWING

Section 9(c) and 9(d) of Article IX of the State Constitution, pursuant to which the Short Term Borrowing Act was enacted, states:

> (c) State debt in anticipation of revenues to be collected in a fiscal year may be incurred by law in an amount not exceeding 5% of the State's appropriations for that fiscal year. Such debt shall be retired from the revenues realized in that fiscal year.

(d) State debt may be incurred by law in an amount not exceeding 15% of the State's appropriations for that fiscal year to meet deficits caused by emergencies or failures of revenue. Such law shall provide that the debt be repaid within one year of the date it is incurred.

In August 2009, General Obligation Certificates in the amount of $1,250 million were issued pursuant to the provisions of the Short Term Borrowing Act authorized by Section 9(d) of Article IX of the State Constitution as set forth above. $500 million of the August 2009 General Obligation Certificates was paid in March 2010, $250,000,000 was paid in April 2010, and the balance of $500,000 is payable in June 2010. See "INDEBTEDNESS – SHORT-TERM DEBT."

GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

GOMB was created in 2003 by the Governor's Office of Management and Budget Act (20 ILCS 3005/1 *et seq*.). GOMB's predecessor in managing State debt was the Bureau of the Budget, created in 1969 by act of the General Assembly. GOMB is headed by the Director, who is appointed by the Governor. In addition to assisting the Governor in developing the State's annual operating and capital budgets, GOMB provides financial and other information regarding the State to securities investors, the Municipal Securities Rulemaking Board under EMMA and others as required by federal securities rules. See "CONTINUING DISCLOSURE" and "APPENDIX D – CONTINUING DISCLOSURE UNDERTAKING."

STATE FINANCIAL INFORMATION

The tables that follow present pertinent financial information about the State. Data is for the State's fiscal years which run from July 1 through June 30. Tables 1, 1A, 2, 4A and 6 of this section, unless otherwise noted, are based on information contained in detailed annual reports or records of the Office of the Comptroller. The Fiscal Year 2009 Comprehensive Annual Financial Report ("2009 CAFR") may be found at: *www.apps.ioc.state.il.us/ioc-pdf/CAFR_2009.pdf.* Tables 3, 4 and 5 are based on records of the GOMB, though Tables 4 and 5 also include information drawn from various reports or records of the Comptroller. For purposes of Tables 1 and 2 of this section, expenditures are deemed to be recognized when payment warrants are issued.

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Table 1

RECEIPTS AND DISBURSEMENTS[1], GENERAL FUNDS[2]
FISCAL YEARS 2005-2009
($ IN MILLIONS)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Available Balance, Beginning	**$182**	**$497**	**$590**	**$642**	**$141**
Receipts					
State Revenues					
Income Tax	$9,151	$10,063	$11,158	$12,180	$10,933
Sales Tax	$6,595	$7,092	$7,136	$7,215	$6,773
Public Utility Tax	$1,056	$1,074	$1,131	$1,157	$1,168
Cigarette Tax	$450	$400	$350	$350	$350
Inheritance Tax	$310	$272	$264	$373	$288
Liquor Gallonage Tax	$147	$152	$156	$158	$158
Insurance Tax & Fees	$342	$317	$310	$298	$334
Corporate Franchise Tax	$181	$181	$193	$225	$201
Investment Income	$73	$153	$204	$212	$81
Intergovernmental Transfers	$433	$350	$307	$302	$253
Other	$652	$479	$482	$474	$445
Total, State Revenues	**$19,390**	**$20,533**	**$21,691**	**$22,944**	**$20,984**
Federal Revenues					
Medicaid & Social Services[3]	$4,257	$4,725	$4,703	$4,815	$6,567
Transfers In					
From Other State Funds[4]	$2,513	$2,101	$2,246	$1,900	$1,593
Hospital Provider Fund[5]	$3	-	-	-	-
Total Revenues	**$26,163**	**$27,359**	**$28,640**	**$29,659**	**$29,144**
Short-Term Borrowing	$765	$1,000	$900	$2,400	$2,400
Total Cash Receipts[6]	**$26,928**	**$28,359**	**$29,540**	**$32,059**	**$31,544**
Cash Disbursements					
Expenditures for Appropriations (See Table 1A)	$22,187	$24,193	$25,604	$26,959	$26,982
Transfers Out					
Short-Term Borrowing[7]	$768	$1,014	$911	$2,400	$1,424
Debt Service Funds[6]	$852	$1,026	$1,064	$1,132	$1,102
Other State Funds[3]	$2,806	$2,033	$1,910	$2,069	$1,897
Total Cash Disbursements	**$26,613**	**$28,266**	**$29,489**	**$32,560**	**$31,405**
Cash Balance, Ending	**$497**	**$590**	**$642**	**$141**	**$280**

[1] Based on information from the Office of the Comptroller.

[2] General Funds include the General Revenue Fund, Common School Fund, General Revenue-Common School Special Account Fund and the Education Assistance Fund.

[3] In Fiscal Year 2009, the State received $1.566 billion under the ARRA, of which $527 million was for reimbursement of Medicaid payments and $1.039 billion for educational purposes.

[4] Excludes transfers to and from the Budget Stabilization Fund that by statute must be replenished by the end of the fiscal year during which such cash flows borrowings are made.

[5] For Fiscal Year 2005, Transfers In reflects the net amount between $982 million received and the $979 million transferred out to the Hospital Provider Fund.

[6] See "INDEBTEDNESS" section for additional information.

[7] Includes debt service on GO Bonds.

TABLE 1A
CASH EXPENDITURES BY CATEGORY[1]
FISCAL YEARS 2005-2009
($ IN MILLIONS)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Cash Expenditures					
Operations	$6,347	$6,390	$6,656	$6,906	$7,332
Awards and Grants	16,184	17,616	18,695	20,247	22,035
Permanent Improvements	10	11	10	10	5
Refunds	23	16	20	18	15
Vouchers Payable Adjustments	(401)	170	234	(208)	(2,392)
Prior Year Adjustments	25	(10)	(11)	(14)	(14)
Total Expenditures for Appropriations	**$22,188**	**$24,193**	**$25,604**	**$26,959**	**$26,982**

[1] Based on information from the Office of the Comptroller

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TABLE 2
RECEIPTS AND DISBURSEMENTS[1] - ROAD FUND
FISCAL YEARS 2005-2009
($ IN MILLIONS)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Available Balance, Beginning	**$142**	**$312**	**$777**	**$421**	**$388**
Receipts					
State Revenues					
Motor Vehicle & License Fees	585	770	746	747	772
Certificate of Title	155	91	88	85	77
Property Sales (City & County)	70	58	64	72	68
Miscellaneous	42	63	93	73	124
Total, State Revenues	**851**	**982**	**991**	**978**	**1041**
Federal Revenues	868	1024	1020	1257	1234
Transfers In					
Motor Fuel Fund	337	337	385	335	317
Other Funds	-	-	-	-	-
Total Receipts **(Revenues + Transfers In)**	**$2,056**	**$2,343**	**$2,396**	**$2,570**	**$2,593**
Disbursements					
Expenditures for Appropriations	1,614	1,592	2,428	2,312	2,285
Transfers Out					
Debt Service Funds[2]	249	249	255	258	245
Other State Funds	24	37	69	32	35
Total Transfers Out	**273**	**286**	**324**	**291**	**279**
Total Disbursements **(Expenditures + Transfers Out)**	**$1,887**	**$1,878**	**$2,752**	**$2,602**	**$2,564**
Cash Balance, Ending	**$312**	**$777**	**$421**	**$388**	**$418**

[1] Based on information from the Office of the Comptroller
[2] Reflects debt service on General Obligation Bonds

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TABLE 3
GENERAL FUNDS APPROPRIATIONS[1]
FY 2009 VS. FY 2010 PRELIMINARY RESULTS[2]
($ IN MILLIONS)

Category	FY 2009	FY 2010 Preliminary Results	$ Change	% Change
Elementary & Secondary Education	7,445	7,308	-137	-1.8%
Higher Education	2,466	2,220	-246	-10.0%
Healthcare & Family Services (public aid)	9,642	7,809	-1,834	-19.0%
Revenue	164	143	-22	-13.4%
Human services	4,228	4,047	-181	-4.3%
Corrections	1,351	1,177	-174	-12.9%
Children & Family Services	914	865	-49	-5.4%
Central Management Services	76	90	14	18.4%
State Police[3]	28	287	259	925.0%
Other Agencies	3,969	2,394	-1,574	-39.7%
Budgeted Appropriations	**$30,283**	**$26,340**	**($3,944)**	**-13.0%**
Unspent Appropriations (Salvage)[4]	($507)	($1,014)	($629)	200.0%
Net Appropriations (Spending)	**$29,776**	**$25,326**	**($4,451)**	**-14.9%**

1 Based on information from the Office of the Comptroller and GOMB.
2 FY 2009 appropriation amounts include state pension contributions, while FY2010 appropriations amounts do not.

3 Prior to FY2010, the majority of State Police funding was appropriated and expended through the Road Fund.

4 Estimated for FY 2010 as of June 30, 2010.

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TABLE 4
GENERAL FUNDS CASH RECEIPTS[1]
FY 2008 ACTUAL VS. FY 2009 BUDGET & ACTUAL
($ IN MILLIONS)

	FY 2008 Actual	FY 2009 Enacted	FY 2009 Actual	FY 2009 vs. 2008	Percent Change
Cash Receipts					
State Sources, Cash Receipts:					
Net Individual Income Tax	$10,320	$9,228	$9,223	($1,097)	-10.63%
Net Corporate Income Tax	$1,860	$1,635	$1,710	($150)	-8.06%
Net Income Taxes	**$12,180**	**$10,863**	**$10,933**	**($1,247)**	**-10.24%**
Sales taxes	**$7,215**	**$6,715**	**$6,773**	**($422)**	**-6.13%**
Other Sources					
Public Utility Taxes	$1,157	$1,159	$1,168	$11	0.95%
Cigarette Taxes	$350	$350	$350	$0	0.00%
Inheritance Tax (gross)	$373	$275	$288	($85)	-22.79%
Liquor Gallonage Taxes	$158	$161	$158	$0	0.00%
Insurance Tax and Fees	$298	$325	$334	$36	12.08%
Corporation Franchise Tax & Fees	$225	$205	$201	($24)	-10.67%
Investment Income	$212	$80	$81	($131)	-61.85%
Cook County IGT	$302	$253	$253	($49)	-16.31%
Riverboat Gambling Taxes	$0	$0	$0	($0)	
Other	$474	$452	$445	($29)	-6.20%
Total: Other State Sources	**$3,550**	**$3,260**	**$3,278**	**($272)**	**-7.66%**
Total: State Revenues	**$22,945**	**$20,838**	**$20,984**	**($1,961)**	**-8.55%**
Transfers In:					
Lottery Fund	$657	$625	$625	($32)	-4.82%
State Gaming Fund	$564	$470	$430	($134)	-23.71%
Other Funds	$679	$775	$537	($142)	-20.91%
Total: State Transfers In	**$1,900**	**$1,870**	**$1,593**	**($307)**	**-16.18%**
Total: State Sources	**$24,845**	**$22,708**	**$22,577**	**($2,268)**	**9.13%**
Federal Sources					
Cash Receipts	$4,815	$7,123	$6,567	$1,752	36.39%
Total: Federal Sources	**$4,815**	**$7,123**	**$6,567**	**$1,752**	**36.39%**
Total Revenues and Transfers In	**$29,660**	**$29,831**	**$29,144**	**($516)**	**-1.74%**
Short-Term borrowing	$2,400	$0	$2,400	$0	0.00%
Transfer from Budget Stabilization Fund	$276		$576	$300	108.70%
Hospital Provider Fund	$1,504	$0	$0	($1,504)	-100.00%
Total: Cash Receipts	**$33,840**	**$29,831**	**$32,120**	**($1,720)**	**-5.08%**

[1]Source: Office of the Comptroller

TABLE 4A
FISCAL YEAR END CASH BALANCES BY FUND CATEGORY: FY2000 TO FY 2010
(AMOUNTS IN MILLIONS)

FUND CATEGORY	FY2000	FY2001	FY2002	FY2003 *	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
General Funds	$1,517	$1,126	$256	$317	$182	$497	$590	$642	$141	$280	$130
Highway Funds	1,014	1,310	1,198	701	522	733	926	747	814	688	805
Special State Funds	2,297	2,153	2,180	1,924	2,618	2,327	2,433	2,734	2,741	2,574	2,028
Bond Financed Funds	569	494	269	252	199	228	533	203	77	68	2,226
Debt Service Funds	458	436	487	1,050	624	648	626	638	649	654	920
Revolving Funds	60	43	47	48	127	91	69	63	63	$29	42
State Trust Funds	1,369	1,344	1,335	1,301	1,356	1,619	1,944	2,220	2,520	2,357	1,881
June 30th amounts	**$7,283**	**$6,906**	**$5,773**	**$5,592**	**$5,628**	**$6,142**	**$7,122**	**$7,247**	**$7,005**	**$6,650**	**$8,032**

* Excludes proceeds of 2003 Pension Bonds for comparability purposes.

FISCAL YEAR 2009 OVERVIEW

The Fiscal Year 2009 results are presented in Tables 1 and 1A on a cash basis (receipts and disbursements) with comparative data for Fiscal Years 2005 - 2008 for the General Funds. Table 2 provides similar cash basis results for the Road Fund. Table 3 provides a comparison of appropriations for Fiscal Year 2009 and Fiscal Year 2010 Adopted Budget for the General Funds. Table 4 compares General Funds cash receipts for Fiscal Years 2008 and 2009 (budget and actual). Table 4A provides a ten-year history of all state funds, by major fund category, that are available to support the general obligation pledge.

FISCAL YEAR 2009 RESULTS

As illustrated in Table 5, State Source Revenues for the General Funds totaled $20,984 million in Fiscal Year 2009, a $1,960 million or 8.5% decrease from Fiscal Year 2008. The State recognizes all revenues on a cash basis, which are receipts collected during the fiscal year. The Fiscal Year 2009 decrease was primarily related to the economically sensitive income and sales taxes that collectively decreased by $1,689 million or 8.7%, corresponding to the national recession that began in 2007. Federal Source Revenues totaled $6,567 million, a $1,752 million or 36.4% increase from Fiscal Year 2008, reflecting additional receipts of $1,566 million from the American Recovery and Reinvestment Act of 2009 ("ARRA"). Statutory transfers in were $1,593 million, which was a $307 million or 16.1% decrease from Fiscal Year 2008 results, primarily reflecting year-to-year timing differences in such cash transfers, as well as the lack of special fund transfers to the General Funds. In the aggregate, total resources (revenues plus statutory transfers in) decreased by $515 million or 1.7% in Fiscal Year 2009 to a total of $29,144 million.

General Funds appropriations for Fiscal Year 2009, exclusive of pension contributions, increased by $2,068 million or 8%, to $27,796 million over the comparable Fiscal Year 2008 amount. Pension appropriations were $2,486 million, a $677 million or a 37.4% increase over Fiscal Year 2008. Medicaid appropriations were increased by approximately $1,491 million through a supplemental appropriation, as further described below. Fiscal Year 2009 appropriations for elementary and secondary education grants increased by approximately $340 million over Fiscal Year 2008 levels. Estimated net appropriations expended increased to $29,775 million, which was approximately $2,622 million or 9.7% greater than expended appropriations in Fiscal Year 2008.

Reflecting the provisions of ARRA and the ability to receive the incremental Medicaid reimbursements associated with an increased Federal Medical Assistance Program ("FMAP") "match" to approximately 60.5% of state expenditures (versus the base amount of 50.3%), the State appropriated a supplemental Medicaid amount of $1,491 million in Fiscal Year 2009. The additional appropriation was necessary as authorization for Medicaid payments sufficient to comply with the ARRA requirement that the State be current (i.e., 30 days or less) as of June 1, 2009 for nursing home, hospital and physician payments (to generate the additional federal matching dollars). In addition, the Governor's Fiscal Year 2009 Revised Budget (May) reflected use of the enhanced federal FMAP match to bring all Medicaid provider accounts to current status, or receiving reimbursement within approximately 30 days. Without the additional Medicaid reimbursements, the State's backlog of Medicaid-related bills would have increased to approximately 90 days by the end of Fiscal Year 2009.

Statutory transfers out for Fiscal Year 2009 were $3,184 million, an $18 million decrease or -0.6% versus Fiscal Year 2008.

In sum, for Fiscal Year 2009, total spending (expenditures plus statutory transfers out) was $32,959 million, an increase of $2,604 million or 8.6% versus Fiscal Year 2008.

In anticipation of a Fiscal Year 2009 budgetary deficit associated with revenue shortfalls, and based upon the State's ability to borrow across fiscal years under such revenue shortfalls, the Governor proposed a $2,250 million Fiscal Year 2009 General Obligation Certificate borrowing at the time the Fiscal Year 2010 budget was introduced on March 18, 2009. The first series of $1,000 million was issued in May 2009 and the second series of $1,250 million was issued in August 2009. Both series were retired in Fiscal Year 2010.

Reflecting actual Fiscal Year 2009 revenues plus statutory transfers in, as well as actual Fiscal Year 2009 expenditures plus statutory transfers out, the General Funds budget basis operating deficit for Fiscal Year 2009 is $3,815 million. The operating deficit was partially financed through the issuance of the above-mentioned $1,000 million in General Obligation Certificates in May under the statutory provision permitting inter-year borrowings to fund unanticipated revenue shortfalls. Reflecting that borrowing, net of an intra-year cash flow financing of $1,400 million General Obligation Certificates issued in December 2008 and fully retired with interest costs of approximately $24 million prior to June 30, 2009, resulted in a budget basis fund balance deficit of $3,673 million including the accumulated deficit of $834 million carried over from Fiscal Year 2008.

The Fiscal Year 2009 budget basis deficit of $2,839 million was financed by an increase in accounts payable of $2,978 million to a projected $3,953 million at the end of Fiscal Year 2009, including $185 million of interfund transfers payable. General Funds cash increased by $139 million to $280 million at June 30, 2009, reflecting an increase in accounts payables in excess of the Fiscal Year 2009 budget basis deficit. Total General Funds operating cash, including the Budget Stabilization Fund of $276 million, was $556 million.

The audited *Traditional Budgetary Financial Report* for Fiscal Year 2009 was posted by the Illinois Office of the Comptroller (IOC) on March 4, 2010 at http://www.ioc.state.il.us/Library/cr.cfm along with budget basis financial reports of prior fiscal years. The 2009 CAFR was posted by the IOC on July 14, 2010 and can be found at http://www.apps.ioc.state.il.us/ioc-pdf/CAFR_2009.pdf. Previously, the IOC issued Financial Highlights for Fiscal Year 2009 on January 12, 2010 which includes Unaudited Preliminary Information (see: http://www.ioc.state.il.us/ioc-pdf/Summary_of_Financial_Highlights FY_09.pdf). That unaudited information reported that the GAAP-basis fund balance deficit for the General Funds was estimated to be $8,187 million as of June 30, 2009. The 2009 CAFR reported the GAAP basis fund balance deficit for the General Funds was actually $7,682 million, or approximately $500 million better than reported in January, 2010. The revised and audited Fiscal Year 2009 deficit of $7,682 million compares to the restated Fiscal Year 2008 deficit of $4,035 million, originally reported as $3,934 million in the 2008 CAFR. The prior fiscal years' audited CAFRs can be found at http://www.ioc.state.il.us/Library/cr.cfm.

FISCAL YEAR 2009 CAPITAL BUDGET

The Fiscal Year 2009 Capital Budget contained total appropriations of $13,937 million, an increase of $5,058 million or 57% versus the Fiscal Year 2008 Capital Budget. The emphasis on investment in existing State facilities and assets to achieve maintenance cost efficiencies remained a priority in the Fiscal Year 2009 Capital Budget. Within limitations considered by debt affordability analysis, the total GO Bond sales for Fiscal Year 2009 were approximately $150 million.

Total bond-financed capital appropriations in the Fiscal Year 2009 Capital Budget were $3,752 million, not all of which have corresponding bond authorization, but which provide implementation flexibility between new and re-appropriated projects during Fiscal Year 2009.

Total capital funded out of current revenues was $9,420 million. The Fiscal Year 2009 Capital Budget included $1,945 million in new pay-as-you-go Road Program appropriations and $2,556 million in Federal Recovery funds, the primary purpose of which was to maintain existing roads and bridges.

Investment in transportation infrastructure was further emphasized in the passage of the "Jump Start" capital bill which provides $3 billion in state bond funds for critical improvements for roads, bridges and transit.

FISCAL YEAR 2010 BUDGET

The Governor introduced the Fiscal Year 2010 proposed operating budget on March 18, 2009. The General Assembly passed a series of appropriation bills by May 31, 2009, the statutory deadline for adoption of a budget with a simple majority. Subsequently, the Governor vetoed several of those appropriation bills. The General Assembly on July 15, 2009 passed by a super-majority (statutorily required of at least 60%) a new bill that was signed by the Governor on that same date. The approved Fiscal Year 2010 Adopted Budget is reflected in Table 5 as well as a subsequent revision reflected in this offering and hereafter referred to as the Fiscal Year 2010 Revised Budget.

The Fiscal Year 2010 Adopted Budget, as originally adopted in July 2009, projected total State source revenues of $19,947 million, which was $1,037 million or 4.9% lower than Fiscal Year 2009 Revenues. The Fiscal Year 2010 revenue forecast in the Fiscal Year 2010 Adopted Budget reflected the deepening and continuing recession and projected the following changes in economically-sensitive base revenues: (1) Individual Income Tax (net of estimated refunds) of $9,206 million which was an $18 million or 0.2% reduction from actual Fiscal Year 2009 revenues, (2) Corporate Income Tax (net of estimated refunds) of $1,133 million, a $577 million or 33.7% reduction from the actual Fiscal Year 2009 amount, and (3) Sales Tax of $6,394 million, a $379 million or 5.6% reduction from the actual Fiscal Year 2009 collections. The Fiscal Year 2010 Adopted Budget maintains the same Refund Fund Rates for income taxes (as discussed in the "TAX STRUCTURE" section that follows below) as utilized in the Fiscal Year 2009 budget, resulting in an estimated balance in the Refund Fund backlog for income tax refunds of approximately $800 million by the end of Fiscal Year 2010. Beyond these reductions in economically sensitive taxes, the Fiscal Year 2010 Adopted Budget projected an increase of $564 million in Federal Revenues, an 8.6% increase over the estimated Fiscal Year 2009 amount. The increased revenue reflected an increase in Fiscal Year 2010 Medicaid receipts as well as approximately $374 million in Federal stimulus receipts available for any General Funds purpose. In addition, Transfers In reflected $352 million of excess balances from other state Special Funds as well as $245 million of increased revenue to support the capital program that will be transferred to the General Funds to cover expenses that were shifted to the General Revenue Fund. Reflecting those non-recurring amounts, Transfers In for Fiscal Year 2010 were projected to be $2,221 million which is a $628 million or 39.4% increase over the estimated Fiscal Year 2009 amount.

The Fiscal Year 2010 Adopted Budget projected total General Funds spending (i.e., net appropriations plus transfers out) of $27,975 million, which was $4,984 million or 15.1% less than the projected Fiscal Year 2009 spending as of that date. The estimated net decrease was primarily due to the following factors: (1) an approximately $1,100 million increase over Fiscal Year 2009 General Funds pension contributions, reflecting both actuarial losses incurred in Fiscal Year 2008 as well as the final year of the statutorily-mandated increase called for in Public Act 88-593; (2) $3,466 million in Fiscal Year 2010 pension contributions were not appropriated in the General Revenue Fund but instead were to have been financed through issuance of the 2010 Pension Bonds (see "PENSION SYSTEMS – ISSUANCE OF PENSION BONDS AND ALLOCATION OF PROCEEDS") which include and reflect the aforementioned $1,100 million increase over Fiscal Year 2009 contributions; (3) approximately $1,500 million in supplemental Medicaid appropriations in Fiscal Year 2009, used as a onetime reduction of payment backlog in that fiscal year, are not appropriated in Fiscal Year 2010; (4) minimal Fiscal Year 2010 appropriation increases; and (5) a net reduction in transfers out primarily associated with debt restructuring net of new debt service including the issuance of the Bonds.

Subsequent to the adoption of the Fiscal Year 2010 budget and in conjunction with the preparation of the Budget prepared for Fiscal Year 2011, additional facts and information were identified that are reflected in the Fiscal Year 2010 Revised Budget illustrated in Table 5. These facts and information include the following:

- Individual income tax collections have been adjusted downward to $8,460 million, a $746 million or an 8.1% reduction from the Adopted Budget amount, after reflecting the diversion of 9.75% to the Income Tax Refund Fund. Corporate income tax collections have been revised upward to $1,310 million, a $177 million or 15.6% increase from the Adopted Budget amount, after reflecting the diversion of 17.5% to the Income Tax Refund Fund. Sales tax collections were revised downward to $6,200 million, a $194 million or 3% decrease from the adopted budget. The revised amounts were based upon estimated income tax payments due and paid by September 15, 2009 and January 15, 2010, sales tax collections through January 31st, as well as upon the advice of the Governor's Council of Economic Advisors after its review of those collections and other economic data. In sum, the three largest economically sensitive taxes have been adjusted downward by $763 million or -4.6% from the Adopted Budget.

- Gaming Tax collections have been adjusted downward by $50 million due to the recessionary impact on discretionary income, as well as the temporary closure of one riverboat gaming facility caused by a fire, which has subsequently re-opened.

- Public utility taxes have been adjusted downward by $35 million or -3% from the Adopted Budget reflecting both economic conditions as well as milder weather compared to historical averages.

- Debt Service budgetary savings of approximately $561 million incorporated in the Adopted Fiscal Year 2010 Budget associated with proposed refunding of Build Illinois and general obligation bonds yielded only $26 million due to structural issues not originally anticipated.

- Medicaid appropriations will be reduced by approximately $300 million and Group Health Insurance appropriations will be increased by that same amount. The reduction in Medicaid appropriations will result in a downward revision of $180 million in Federal Revenues in the General Funds.

- Unanticipated Federal Revenues from reimbursement claims of prior years for the Family Care program are estimated to range from $350 million to $435 million. These revenues will be deposited into the Healthcare Provider Relief Fund (pursuant to Public Act 96-820) and will support from $900 million to $1,100 million in Medicaid payments including the $300 million in Medicaid invoices originally appropriated in the General Funds, as described immediately above.

- Federal revenues have been further reduced by $208 million reflecting a slower payment cycle than originally anticipated for Medicaid spending not subject to ARRA restrictions resulting in lower Federal reimbursements during Fiscal Year 2010. This effect is a revenue recognition timing difference since those reimbursements will occur when the payments are made in Fiscal Year 2011. In conjunction with the above mentioned reduction in Medicaid appropriations and accompanying Federal revenues, as well as the timing difference, the total reduction in Federal revenues is $388 million or -5.4% from the Adopted Budget resulting in the revised amount of $6,743 million.

- Interest revenue has been adjusted downward to $35 million, a $45 million or 56% reduction reflecting lower cash balances than originally anticipated as well as historically low interest rates.

- Unspent Appropriations ("Salvage") has been reduced to $400 million, a reduction of $551 million, based upon a revised estimate of appropriations that will not be spent through the end of Fiscal Year 2010, including the Lapse Period of July and August of 2010. The revised estimate also reflected actual amounts of Salvage from the past two fiscal years of $385 million and $507 million in Fiscal Years 2008 and 2009, respectively.

- The estimated balance in the Refund Fund backlog for income tax refunds is increased by $200 million to approximately $1,000 million by the end of Fiscal Year 2010, reflecting smaller transfers in to that fund and larger refunds being filed.

In conjunction with this Offering, and reflecting events subsequent to the March 10, 2010 revision, the following additional revisions and actual cash basis revenues, as reported by the Illinois Office of the Comptroller, are incorporated as the Fiscal Year 2010 Preliminary – Results (unaudited) found in Table 5:

- Federal Revenues collected were $823 million lower than the March revision reflecting the following: (a) revised Medicaid payment projections resulting in a timing difference with Medicaid reimbursements being recognized as revenue in Fiscal Year 2011 rather than Fiscal Year 2010, (b) Medicaid payments being made from the Healthcare Provider Relief Fund resulting in Medicaid reimbursements being deposited into that fund rather than the General Funds, and (c) additional ARRA receipts in the General Funds.

- Statutory Transfers In were approximately $331 million below the March revision reflecting a combination of: (a) revenue shortfalls in other State funds that annually transfer excess balances to the General Funds per statute, (b) revenue shortfalls in select State funds that were scheduled as a onetime occurrence to have excess balances transferred ("swept") to the General Funds, and (c) timing delays in implementation of video gaming and motor vehicle fee increases associated with financing the capital program.

- Supplemental Appropriations in various categories totaling approximately $30 million.

- Unspent Appropriations (“Salvage”) has been increased by $614 million, to a total of $1,014 million, reflecting the above mentioned Medicaid spending being paid from the Healthcare Provider Relief Fund rather the General Funds, as originally appropriated in the Fiscal Year 2010 Adopted Budget. The final net appropriations amount will not be determined until subsequent to the end of the “Lapse Period,” as well as completion of the audit of the budget basis financial statements for fiscal 2010. Any Fiscal Year 2010 liability incurred by the State prior to June 30 that is presented to the State during the Lapse Period and for which an available appropriation still remains for that fiscal year, is deemed a Lapse Period Expenditure and charged to the Fiscal Year 2010 appropriation.

- Debt Service has been increased by approximately $63 million to reflect required transfers to the General Obligation Bond Retirement & Interest fund associated with the April 2010 issuance of $246 million in General Obligation Bonds issued for purposes of expediting Medicaid payments from the Healthcare Provider Relief Fund, where the bond proceeds were deposited, and to receive the additional FMAP reimbursements under ARRA provisions.

Reflecting actual collections (unaudited cash basis), total Fiscal Year 2010 State Source Revenues were as $19,334 million, which was $1,650 million or 7.9% below Fiscal Year 2009 results. State Transfers In were $242 million or 15.2% higher than the Fiscal Year 2009 results. Federal Revenues were $5,920 million, which was $647 million or 9.9% lower than Fiscal Year 2009 results. Total Revenues and Transfers In from all sources were $27,090 million, which was $2,055 million or 7.1% below Fiscal Year 2009 results.

Also reflecting the above revisions, the revised Fiscal Year 2010 appropriations (excluding pension contributions) totaled $26,340 million, which is $1,457 million or 5.2% below final Fiscal Year 2009 appropriations. Unspent Fiscal Year 2010 appropriations are now estimated to be $1,014 million, which is $507 million or almost 100% more than the Fiscal Year 2009 amount of $507 million, largely reflecting the transferred Medicaid spending discussed above. Fiscal Year 2010 Transfers Out were $3,539 million which was $355 million or 11.1% above Fiscal Year 2009 transfers. The Fiscal Year 2010 Transfers Out include $991 million of statutory cash transfers that were not executed as of June 30, 2010, but will be effectuated in Fiscal Year 2011. Taken together, net appropriation spending and Transfers Out for Fiscal Year 2010 are now estimated at $28,865 million, which is $4,094 million or 12.4% below the Fiscal Year 2009 amount, reflecting reduced amounts in the Adopted Fiscal Year 2010 Budget particularly pensions being financed outside of the General Funds and subsequent revisions described above.

As detailed in Table 5 and reflecting the above changes in forecasted amounts, the Fiscal Year 2010 Preliminary Results (unaudited) projects a budget basis operating deficit of $1,775 million. Taking into account the net repayment of general obligation certificates used for short-term borrowing purposes and issued in May and August of 2009 that were repaid in Fiscal Year 2010, the budget basis deficit is now estimated to be $2,801 million resulting in a projected General Funds budget basis fund balance deficit of $6,475 million as of June 30, 2010.

The current expectation is that the Fiscal Year 2010 deficit will be financed by an anticipated increase in budget basis accounts payable as well as a proposed short term borrowing under the provisions of Section 1.1 of the Short Term Borrowing Act, 30 ILCS 340, notice of which was made on June 1, 2010 for an amount not to exceed $1,300 million. Since that borrowing will not be effectuated until after the close of the fiscal year on June 30, 2010, Table 5 reflects an estimated budget basis accounts payable amount of $6,604 million excluding that borrowing. Proceeds of the borrowing will be used to pay various liabilities reflected in the accounts payable amount. The Short Term Borrowing Act requires repayment within one year of the issuance.

Budget basis accounts payable equals approved vendor invoices (“vouchers”) on hand at June 30th plus invoices received, approved and charged to Fiscal Year 2010 appropriations during the Fiscal Year 2010 Lapse Period. Pursuant to the Emergency Budget Act (SB3660), that was passed by the General Assembly on May 27, 2010 signed into law by the Governor, the lapse period has been extended to December 31, 2010, versus the statutory date of 60 days after the end of the fiscal year.

As of June 30, 2010, and per certification by the Illinois Office of the Comptroller, vouchers on hand at that date totaled $4,712 million including $1,267 million of Fiscal Year 2010 statutory transfers that were not executed (i.e., cash transfers were not made) as of that date. Those transfers will be effectuated in Fiscal Year 2011.

General Funds cash at June 30, 2010 for Fiscal Year 2010 was $130 million, Reflecting liquidity needs, the Budget Stabilization Fund, which is used for working cash purposes during each fiscal year, was not replenished by the budgeted cash transfer from the General Funds as of the close of Fiscal Year 2010.

Budget estimates, projections and forecasts are based solely on information available as of the date of this Offering and may differ from actual Fiscal Year 2010 year-end results.

FISCAL YEAR 2010 CAPITAL BUDGET

Illinois Jobs Now!, the State’s first capital bill in over 10 years, is a $33 billion multi-year program that emphasizes job creation and retention, economic stimulus and accessing federal ARRA dollars while making crucial investments in the State’s schools, roads, bridges, airports and transit system. The major Fiscal Year 2010 components of Illinois Jobs Now! are: $15,399 million of road and bridge projects; $3,621 million for school construction; and $5,660 million for state-wide mass transit. The Illinois Jobs Now! program provides access to over $3.7 billion in ARRA funds, including funding for roads and bridges, airports, transit, rail and waste water and drinking water infrastructure.

Funding for Illinois Jobs Now! is comprised of monies from Federal, State and Local sources, with the State’s share of approximately $14.6 billion to be funded through the issuance of General Obligation and Build Illinois Bonds over the length of the program. The debt service on the State’s portion will be supported by the following: (1) an increase in the motor vehicle title fees generating $122 million annually; (2) an increase in license plate fees generating $180 million annually; (3) revenues from new sales tax on candy, sweet tea, coffee, grooming and hygiene products; (4) an increase in wine and spirits taxes generating $162 million annually; (5) establishing a new licensing and taxation program for video gaming terminals generating $300 million annually; and (6) using existing monies deposited into the Road Fund to provide $150 million per year for the payment of debt service. All annual amounts reflect revenues generated once fully implemented. See "LITIGATION – Tax Protest Litigation" for a description of a lawsuit that has been filed which challenges certain of the taxes described above.

The remainder of the Fiscal Year 2010 Capital Budget contains prior year re-appropriations consisting of both bond funded and current revenue sources totaling $9,695 million. The total bond-financed re-appropriations included in the Fiscal Year 2010 Capital Budget are $2,127 million, which includes General Obligation bonded in the amount of $1,491 million and Build Illinois bonded in the amount of $636 million. Total capital re-appropriations funded out of current revenues is $6,924 million, and total prior federally funded is $644 million.

FISCAL YEAR 2011 BUDGET

As required by the State Budget Law, as amended, the Governor introduced the Fiscal Year 2011 proposed operating budget on March 10, 2010, which can be found at http://www2.illinois.gov/budget and summarized in Table 5.

As introduced on March 10, 2010 and titled the "Introduced Budget" (March 2010) in Table 5, total revenues from all sources and transfers in were forecast at $27,444 million, a 2% decrease from the Fiscal Year 2010 Revised Budget. Total state source revenues were forecast to increase by $599 million or 3.1% above the revised 2010 amount reflecting a $226 million or 2.7% increase in net individual income taxes, a $260 million or 19.8% increase in net corporate income taxes and a $90 million or 1.5% increase in sales tax. Diversion rates to the Income Tax Refund Fund were forecast to remain at the Fiscal Year 2010 levels of 9.75% of individual income tax collections and 17.5% of corporate income taxes, which were projected to result in a refund backlog of approximately $1,370 million by the end of Fiscal Year 2011. All other state source revenues, excluding transfers in, were basically flat increasing by $26 million or 0.7% over the revised 2010 forecast.

State transfers in were forecast in the Introduced Budget to decrease by $439 million or 20.3% from the March revision of the Fiscal Year 2010 Budget, primarily reflecting non-recurring fund transfers of excess balances in Other State Funds ("sweeps") of $373 million as well as approximately $31 million of reduced Lottery and Gaming transfers reflecting both economic conditions and a "cap" on Lottery transfers to the General Fund of $625 million in Fiscal Year 2010 plus an annual inflation factor for a total of $636 million in Fiscal Year 2011. Actual Lottery receipts in excess of the cap are used to fund the capital program in conjunction with the estimated incremental revenues from video gaming. Gaming transfers are forecast to decline by $42 million in Fiscal Year 2011 primarily reflecting a $50 million onetime fee for a tenth gaming license in Fiscal Year 2010.

Federal revenues for Fiscal Year 2011 were forecast in the Introduced Budget to decrease by $711 million or 10.5% from the March revision of the Fiscal Year 2010 Budget, primarily reflecting the scheduled conclusion of ARRA funding for the educational and discretionary components of the Federal stimulus program on December 31, 2010. However, the state is assuming the extension of the Medicaid component through Fiscal Year 2011 which results in approximately $479 million of additional Federal revenues beyond the amount through the December 31st termination date.

Total spending from net appropriations and transfer out were forecast in the Introduced Budget to increase by $2,972 million, a 10.2% increase over the revised (March 2010) Fiscal Year 2010 amount. Total appropriations excluding pensions were proposed to be $1,532 million or 5.8% lower reflecting reduced appropriations for education of $1,159 million or 12.2%, $135million or 2.7% for human services, and $375 million or 11.8% for all other appropriations excluding health care which increased by $136 million or 1.6%, all when compared to the March 2010 Fiscal Year 2010 Revised Budget appropriations. Unspent Appropriations ("Salvage") for Fiscal Year 2011 were estimated at two percent of total 2011 appropriations or $496 million which represents a $96 million increase over the 2010 estimate. The 2% estimate reflects historical experience in recent years.

Pension appropriations were $4,157 million before estimated reductions of $267 million associated with various "pension stabilization" proposals that were being pursued for new employees. The Fiscal Year 2011 pension appropriation also reflects an amortization of actuarial losses incurred in Fiscal Year 2009, as further discussed in the Pension Systems section which follows. As previously described, Fiscal Year 2010 pension contributions associated with the General Fund were not appropriated in that fund but were paid through issuance of the $3,466 million General Obligation Bonds, Taxable Series of January 2010. As discussed under "PENSION SYSTEMS – RECENT PENSION REFORM LEGISLATION", significant legislation has been enacted by the Illinois General Assembly and presented to the Governor for his signature which is expected to result in significant reductions in unfunded pension liabilities and current year pension contributions.

Transfer out were estimated to increase by $710 million or 21.9% over Fiscal Year 2010 amounts estimated in the March 2010 revision. That increase is primarily associated with approximately $1,145 million of debt service on the January 2010 bonds used for Fiscal Year 2010 pension contributions, as well as a proposed reduction of $308 million to local governments reflecting a reduced percentage to 7% versus the current 10% of all net income tax receipts.

As illustrated in Table 5, the Budget Basis Operating Deficit in the Introduced Budget was forecast as $4,672 million. The Governor proposed various borrowing options to finance that deficit which included the issuance of additional pension funding General Obligation bonds, or other instruments which were collectively referred to as "Voucher payment notes" in Table 5. On the assumption of such instrument(s), the budget basis accounts payable as of June 30, 2011 was projected to remain unchanged at $6,148 million, as would ending cash balance in the General Fund and Budget Stabilization Fund of $280 million and $275 million, respectively, for a total of $556 million at that date.

Enacted Budget. On May 27, 2010, the General Assembly approved a Fiscal Year 2011 Budget for the State. On July 1, 2010, Governor Pat Quinn signed into law the following legislation:

- House Bill 859: Appropriations-***Reduction Vetoed*** as executed by the Governor.
- Senate Bill 1215: Technical Appropriations Changes.
- Senate Bill 3660: Emergency Budget Act
- Senate Bill 3662: Budget Implementation Act

In conjunction with this Offering, and reflecting events subsequent to the March 10, 2010 introduction which included the Gubernatorial approvals above and the imposition of spending reserves pursuant to the Emergency Budget Act as further described below (SB3660), the following revisions are incorporated as the Fiscal Year 2011 Enacted Budget (July 1, 2010) found in Table 5:

- State Source Revenues have been increased by $28 million reflecting assumed collections of $250 million from a Tax Amnesty provision (SB377) adopted by the General Assembly as reduced by a $222 million reduction in the Inheritance Tax associated with a continued "coupling" of the Illinois inheritance tax base to the Federal base. The introduced budget assumed adoption of a "decoupling" bill that would have resulted in a materially higher estimated collection of $278 million.

- Federal Revenues have been increased by $195 million, to a total of $6,227 million, reflecting $383 million of additional Medicaid reimbursements, as previously described for payments shifted to Fiscal Year 2011, net of $188 million in reduced Medicaid reimbursements associated with reduced Fiscal Year 2011 Medicaid appropriations that will be re-allocated to fund Group Health Insurance payments.

- Appropriations approved by the General Assembly on May 27, 2010, and reflecting Gubernatorial actions on July 1, 2010 including reduction vetoes and allocations of a lump sum appropriation of approximately $3,266 million to individual agencies, increased by $1,054 million, from the introduced amount on March 10, 2010. That increase primarily reflected additional education appropriations of $831 million. The net remaining increase of $221 million is associated with a series of changes (both increases and decreases) from the introduced appropriation amounts of individual agencies.
- Unspent Appropriations ("Salvage") has been increased by $395 million to a total of $891 million, reflecting additional reserves that will be imposed by the Governor under provisions of the Emergency Budget Act, as further discussed below (SB3660).
- Pension spending has been increased by $267 million. The adjusted total of $4,157 million reflects the current amount of Fiscal Year 2011 pension contributions certified by the independent pension board of the state. As required by Public Act 96-0889, adopted on March 24, 2010, the State will pursue a new certification of the Fiscal Year 2011 contributions consistent with the provisions of the new pension act which would result in a material revision to the Fiscal Year 2011 pension contributions and currently projected to be in excess of the original estimate of $267 million.
- Statutory Transfers Out have increased by approximately $460 million reflecting additional debt service associated with the April 2010 General Obligation Bond as well as continuation of distributions of net income tax collections to municipalities at the statutory level of ten percent versus the proposed reduction to seven percent in the introduced budget.
- Voucher payment notes of $4,672 million in the March 10, 2010 Introduced Budget have been replaced by the following Other Financing Sources: (a) Tobacco securitization proceeds of approximately $1,200 million as authorized in the Emergency Budget Act (SB3660), (b) General Obligation Pension Bond proceeds of approximately $3,700 million as proposed in SB3514, and (c) Inter-Fund borrowings of approximately $1,000 million, as authorized in the Emergency Budget Act.

Based upon the above revisions, total Fiscal Year 2011 State Source Revenues are now estimated as $19,712 million, which is $378 million or 2% above the actual Fiscal Year 2010 collections. State Transfers In are now estimated to be $1,716 million, which is $120 million or 6.5% below the actual Fiscal Year 2010 collections, largely reflecting a reduction in non-recurring "sweeps" from other state funds. Federal Revenues are now estimated to be $6,227 million, which is $307 million or 5.2% higher than actual Fiscal Year 2010 amounts. Total Revenues and Transfers In from all sources are now estimated to be $27,655 million, which is $565 million or 2.1% above the Fiscal Year 2010 collections. All Fiscal Year 2010 amounts are unaudited data and subject to adjustment.

Also reflecting the above revisions, the Fiscal Year 2011 appropriations total $25,831 million, which is $509 million or 1.9% below final Fiscal Year 2010 appropriations. Unspent Fiscal Year 2011 appropriations are now estimated to be $891 million versus the revised Fiscal Year 2010 projection of $1,014 million which included approximately $614 million of Medicaid spending shifted either to Fiscal Year 2011 or to the Health Care Provider Relief Fund during Fiscal Year 2010, as described earlier. Fiscal Year 2011 Transfers Out are now estimated at $4,406 million, which is $867 million or 24.5% above Fiscal Year 2010 transfers, reflecting changes noted above.

Excluding pension contributions, Fiscal Year 2011 net appropriations plus transfers out total $29,346 million, which is $481 million or 1.7% higher than the comparable amount for the revised Fiscal Year 2010 Budget reflecting the shifts in Medicaid spending. Including pensions, net appropriation spending and Transfers Out for Fiscal Year 2011 are now estimated at $33,502 million, which is $4,638 million or 16.1% above the revised Fiscal Year 2010 amount, largely reflecting the $4,157 million in pension contributions appropriated in Fiscal Year 2011 versus the Fiscal Year 2010 contributions not appropriated in the General Funds.

As detailed in Table 5 and reflecting the above changes in forecasted amounts, the Fiscal Year 2011 Enacted Budget projects a budget basis operating deficit of $5,847 million. That deficit is addressed through the securitization of revenues received by the State under the Tobacco Master Settlement Agreement, which is anticipated to generate $1,200 million, and Inter-Fund borrowings of approximately $1,000 million, both as authorized by SB3660.

In addition, the Governor proposed General Obligation Pension Bonds of approximately $3,700 million in the Introduced Budget. SB3514, Pension Fund Borrowing, while approved by the House of Representatives, remains pending on the floor of the Senate. The Governor will continue to seek passage of SB3514. The pension bonds authorized by this bill will be issued upon approval by the Senate.

The Governor, in order to bring the budget into balance, has executed and/or will be executing adjustments in appropriations including line item reductions veto totaling $155 million and imposing unspent appropriations of approximately $891 million. In addition, the Governor, utilizing powers granted to him by SB3660, will be seeking additional reserves, as needed, on a program-by-program, agency-by-agency basis in order to ensure a continuing balanced budget.

Reflecting the above measures, the General Funds budget basis fund balance deficit is projected at $6,475 million as of June 30, 2011, the same as at the end of Fiscal Year 2010. Similarly, the budget basis accounts payable is projected to remain at $6,604 million as of June 30, 2011, the same estimated amount as of the end of Fiscal Year 2010.

To support payment of Fiscal Year 2010 outstanding vouchers, short term General Obligation Certificates of $1,300 million are expected to be issued in late July, 2010 under the Short Term Borrowing Act (30 ILCS340), Section 1.1. The short-term General Obligation Certificates will be sold with a "SP1" rating from Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies.

General Funds cash is assumed to remain unchanged from Fiscal Year 2010 at $130 million, and the Budget Stabilization Fund is projected to be funded at $276 million.

Budget estimates, projections and forecasts are based solely on information available as of the date of this Offering and may differ from actual Fiscal Year 2011 year-end results.

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EMERGENCY BUDGET ACT OF 2011

The General Assembly passed SB3660 on May 27, 2010 which provides significant and additional budget management authority to the Governor including the following key provisions:

- Authorizes the Governor to require reserves in all State agencies for up to 30% of outstanding vouchers as of June 30, 2010. The Comptroller has certified the total amount of outstanding vouchers as of that date was $4,712 million, including $1,267 million of Fiscal Year 2010 statutory transfers that were not executed as of that date. As such, total reserves authorized by the Emergency Borrowing Act total approximately $1,413 million.

- Reserves cannot be spent unless released by the Governor or upon passage of new revenue sources in amount greater than released reserves.

- Allows the Governor to unilaterally borrow from other state funds under the following conditions:

  - Individual fund cannot be reduced below its next 12 month appropriations/expenditures.

  - All funds, taken together, cannot be reduced below the next 12 months total debt service for all outstanding long and short term debt.

  - Funds will be compensated at rate set by the Treasurer.

  - Funds can be borrowed for no longer than 18 months.

  - Irrevocable and continuing appropriation to repay funds from General Revenue Fund.

- Extends the lapse spending period to December 31, 2010, which permits payment of Fiscal Year 2010 liabilities incurred by June 30, 2010 against any remaining appropriation authority of that year.

- Mandates a three year budget forecast from the Commission of Government Forecasting and Accountability, beginning with Fiscal Year 2012.

- Requires the review and rebid of all major contracts.

- Creates a Management by Objective requirement with following provisions:

  - All State agencies/programs must create priorities and objectives needed to meet those priorities.

  - Agencies/programs that do not meet priorities or objectives can have their appropriations cut in mid-year or altogether eliminated.

- Requires General Assembly members to take furlough days, reduce per diem amounts and eliminates cost of living salary increases.

FISCAL YEAR 2011 CAPITAL BUDGET

The Governor introduced the Fiscal Year 2011 proposed capital budget on March 10, 2010, which can be found at: http://www2.illinois.gov/budget

The Fiscal Year 2011 Capital Budget is a continuation and extension of the Illinois Jobs Now!, the State's first capital bill in over 10 years. That bill authorized a $33 billion multi-year program that emphasizes job creation and retention, economic stimulus and accessing federal ARRA dollars while making crucial investments in the State's schools, roads, bridges, airports and transit system.

For Fiscal Year 2011, the Governor proposed an expansion of Illinois Jobs Now! to, among other things, allocate $250 million in state funds to create the School Consolidation Construction Program to encourage smaller school districts to consolidate and save administration costs. The Governor's proposal makes an additional $396 million available for capital improvements and repairs to the state's public universities ($268 million) and to the state's community colleges ($128 million). The expansion would also provide $55.1 million to communities around Illinois for a wide range of economic and workforce development programs including green business development, and new industries and technologies. An additional $534.4 million is proposed for repairs and upgrades to Illinois state owned facilities, and to promote energy efficient and environmentally friendly facilities. Similarly, an additional $224.7 million would fund environment, energy and technology programs in Illinois. These programs are intended to protect and improve Illinois' environment and natural assets as well as to enhance the technology infrastructure in Illinois.

Beyond the proposed expansion, new appropriations of $2,337.7 million are proposed for highway, road, bridge, rail and airport construction, as well as $502.9 million for environmental, energy and technology projects, as proposed in the original program. Collectively, total new appropriations for Fiscal Year 2011 are $4,320.6 million.

The remainder of the Fiscal Year 2011 Capital Budget contains prior year re-appropriations consisting of both bond funded and current revenue sources totaling $26,151 million.

The total bond-financed re-appropriations included in the Fiscal Year 2011 Capital Budget are $16,779 million, which includes General Obligation bonded in the amount of $13,853.2 million and Build Illinois bonded in the amount of $2,925.8 million. Total capital re-appropriations funded out of current revenues is $8,152.9 million, and total prior federally funded is $1,218.5 million.

As of the date of this Official Statement, the Fiscal Year 2011 Capital Budget has not been approved by the General Assembly.

BUDGET STABILIZATION FUND

Legislation enacted in 2000 required the State to transfer any unencumbered balance in the Tobacco Settlement Recovery Fund as of June 30, 2001 to the newly-created Budget Stabilization Fund. The State transferred $225 million to the Budget Stabilization Fund in July 2001. Public Act 92-11 authorized the Comptroller to direct the transfer of money from the Budget Stabilization Fund to the General Revenue Fund to meet short-term cash flow needs, with the requirement that all money so transferred must be repaid within the same fiscal year. The Fiscal Year 2004 budget included an additional $50 million contribution to the Budget Stabilization Fund, bringing the end of year balance to $276 million, where it remained at June 30, 2009. Reflecting additional liquidity needs, the Comptroller did not repay the Fiscal Year 2010 cash flow borrowing to the General Revenue Fund as of June 30, 2010. The Fiscal Year 2011 Operating Budget assumes the Budget Stabilization Fund will be restored to the amount of $276 million.

BASIS OF ACCOUNTING

The Comptroller is responsible for the maintenance of the State's fiscal accounting records. The Comptroller provides accounting control over the cash on hand in a specific fund or funds (the "Cash Balances") for which the Treasurer is accountable, control over the issuance of warrants for payments of agencies' expenditures and control to ensure that State payments do not exceed legal appropriations and available fund balances. The Comptroller's records are kept on a basis of accounting wherein receipts are recognized at the time cash funds are ordered into the State Treasury by the Comptroller. Prior to Fiscal Year 1998, disbursements were recognized when payment warrants were issued. Since Fiscal Year 1998, disbursements have been recognized when vouchers have been approved and released for payment.

As the fiscal control officer of the State, the Comptroller issues an Annual Report detailing receipts and expenditures for each year. Since 1981 the Comptroller has issued a Comprehensive Annual Financial Report ("CAFR"), which includes General Purpose Financial Statements prepared according to Generally Accepted Accounting Principles ("GAAP") and statements of budgetary fund balances and changes in budgetary fund balances for all fund groups.

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TABLE 5
BUDGET PLAN - GENERAL FUNDS
FY 2009 TO 2011
($ IN MILLIONS)

TABLE 5: GENERAL FUNDS - BUDGET RESULTS & BUDGET PLANS FY2009-FY2011

7/7/2010

	Fiscal Year 2009 Actual		Fiscal Year 2010 Revised Budget (March 2010)		Fiscal Year 2010 Preliminary Results (unaudited) (June 30, 2010)		Fiscal Year 2011 Introduced Budget (March 2010)		Fiscal Year 2011 Enacted Budget (July 1, 2010)	
OPERATING REVENUES PLUS TRANSFERS IN										
REVENUES										
State Sources	$ 20,984		$ 19,085		$19,334		$ 19,684		$ 19,712	
Federal Sources	$ 6,567		$ 6,743		$5,920		$ 6,032		$ 6,227	
TOTAL REVENUES		$ 27,551		$ 25,828		$ 25,254		$ 25,716		$ 25,939
STATUTORY TRANSFERS IN										
Statutory Transfers In	$ 1,593		$ 2,167		$ 1,836		$ 1,728		$ 1,716	
TOTAL TRANSFERS		$ 1,593		$ 2,167		$ 1,836		$ 1,728		$ 1,716
TOTAL OPERATING REVENUES PLUS TRANSFERS IN		**$ 29,144**		**$ 27,995**		**$ 27,090**		**$ 27,444**		**$ 27,655**
OPERATING EXPENDITURES AND TRANSFERS OUT										
CURRENT YEAR EXPENDITURES										
APPROPRIATIONS (Total Budget) [1]	$ 27,796		$ 26,309 [1]		$26,340 #		$ 24,777		$ 25,831	
Less: **Unspent Appropriations** (Unspent Budget plus Uncashed Checks)	($507)		($400)		($1,014)		($496)		($891)	
Equals: **Cureent Year Expenditures before Pensions**	$ 27,288		$ 25,909		$ 25,326		$ 24,281		$ 24,940	
PENSION CONTRIBUTIONS	$ 2,486		$ - [1]		$ - #		$ 4,157		$ 4,157	
Less: Savings from Pension Stabilization	$ -		$ -		$ -		($267)		$0	
Equals: CURRENT YEAR EXPENDITURES (Net Appropriations Spent)		$ 29,775		$ 25,909		$ 25,326		$ 28,171		$ 29,097
STATUTORY TRANSFERS OUT										
Legislatively Required Transfers (Diversions to Other Funds) [2,3]	$ 2,082 [2]		$ 2,002		$ 2,242 #		$ 2,004		$ 1,823	
Debt Service Transfers for Capital Projects	$ 636		$ 670		$ 670		$ 638		$ 645	
Debt Service on FY2010 Medicaid Borrowing	$ -		$ -		$ 63		$ -		$ 183	
Pension Obligation Bond Debt Service (includes FY2010 Pension Funding Bonds)	$ 466		$ 564		$ 564		$ 1,611		$ 1,754	
Less: Reduced Transfer to Local Government Distributive Fund	$ -		$ -		$ -		($308)		$0	
TOTAL TRANSFERS OUT		$ 3,184		$ 3,236		$ 3,539		$ 3,946		$ 4,406
TOTAL OPERATING EXPENDITURES AND TRANSFERS OUT		**$ 32,959**		**$ 29,145**		**$ 28,865**		**$ 32,117**		**$ 33,502**
BUDGET BASIS FINANCIAL RESULTS AND BALANCE										
BUDGET BASIS OPERATING SURPLUS (DEFICIT) [Receipts less Payments]		($3,815)		($1,150)		($1,775)		($4,672)		($5,847)
OTHER FINANCIAL SOURCES (USES)										
Short-Term Borrowing Proceeds	$2,400		$1,250		$1,250		$0		$1,300	
Repay Short-Term Borrowing (including interest)	($1,424)		($2,295)		($2,276)		$0		($1,317)	
Pension Obligation Bond FY2011	$0		$0		$0		$0		$3,700	
Tobacco Revenue Liquidation	$0		$0		$0		$0		$1,200	
Inter Fund Borrowing (per Emergency Budget Act)	$0		$0		$0		$0		$964	
Voucher payment notes [4]	$0		$0		$0		$4,672 [4]		$0	
TOTAL OTHER FINANCIAL SOURCES (USES)		**$976**		($1,045)		($1,026)		**$4,672**		**$5,848**
BUDGET BASIS SURPLUS (DEFICIT) FOR FISCAL YEAR		($2,839)		($2,195)		($2,801)		$0		$0
Plus: Budget Basis Fund Balance at Beginning of the Fiscal Year		($834)		($3,673)		($3,673)		($5,869)		($6,475)
BUDGET BASIS FUND BALANCE (DEFICIT) AT END OF FISCAL YEAR		($3,673)		($5,869)		($6,475)		($5,869)		($6,475)
CASH BASIS FINANCIAL RESULTS										
BUDGET BASIS SURPLUS (DEFICIT) FOR FISCAL YEAR [5]		($2,839)		($2,195)		($2,801)		$0		$0
Change in Accounts Payable (Change in Lapse Period Amounts)										
Accounts Payable at End of Prior Fiscal Year [2,3]	$975		$3,953 [2]		$3,953 #		$6,148		$6,604 [3]	
Less: Accounts Payable at End of Current Fiscal Year [2,3]	($3,953) [2]		($6,148)		($6,604) #		($6,148)		($6,604)	
Equals: **Increase/(Paydown) of Accounts Payable During Fiscal Year**		**$2,978**		**$2,195**		**$2,651**		**$0**		($0)
CASH BASIS SURPLUS (DEFICIT) FOR FISCAL YEAR [6]		**$139**		**$0**		($150)		**$0**		**$0**
CASH POSITION										
CASH BASIS SURPLUS (DEFICIT) FOR FISCAL YEAR		**$139**		**$0**		($150)		**$0**		**$0**
Plus: **Cash Balance in General Funds at Beginning of Fiscal Year**		**$ 141**		**$ 280**		**$280**		**$ 280**		**$130**
Equals: **Cash Balance in General Funds at End of Fiscal Year**		**$ 280**		**$280**		**$130**		**$280**		**$130**
Plus: **Cash Balance in Budget Stabilization Fund at End of Fiscal Year** [3]		**$ 276**		**$ 276**		**$ -**		**$ 276**		**$ 276**
Equals: **Total Cash at End of Fiscal Year**		**$ 556**		**$ 556**		**$ 130**		**$ 556**		**$ 406**

1 **FY2010 appropriations do not reflect the FY2010 statutory pension contribution for the General Funds. That amount was financed and paid through issuance of approximately $3,466 million in General Obligation Bonds, Taxable Series of January 2010. However, during the fiscal year, approximately $843 million was initially paid from the General Funds to the State's pension systems, pursuant to a continuing appropriation for FY2009 pension contributions. Subsequently, the General Funds were reimbursed by that same amount from proceeds of the January 2010 bond issuance. Given that exact offset, and since neither the fund balance or cash position of the General Funds was therefore affected as of June 30, 2010, both the appropriation expenditure and reimbursement are excluded from the respective accounts for purposes of presentation and comparability purposes.**

2 **FY2009 Transfers Out and FY2009 Accounts Payable include $185 million of FY 2009 Statutory Expenditures that were not executed (i.e., cash transfers were not made) as of June 30, 2009, per the Traditional Budgetary Financial Report for FY 2009 issued by the Illinois Office of the Comptroller. Those transfers were subsequently effectuated in July of 2009.**

3 **FY2010 Transfers Out and FY2010 Accounts Payable include $991 million of FY2010 statutory transfers that were not executed (i.e., cash transfers were not made) as of June 30, 2010, per the Illinois Office of the Comptroller. Such unexecuted statutory transfers are considered Transfers Payable for this presentation and reflected in the estimated June 30, 2010 Accounts Payable amount. In addition, approximately $276 million of cash was not transferred back to the Budget Stabilization Fund as of June 30, 2010, such that the total of FY2010 statutory transfers not executed by year end totaled approximately $1,266 million.**

4 **A series of notes to pay specific vouchers during the fiscal year.**

5 **Budget Basis Surplus (Deficit) *equals* "Operating Revenues and Transfers In" *minus* "Operating Expenditures and Transfers Out" *plus (minus)* "Other Financing Sources (Uses)"**

6 **Cash Basis Surplus (Deficit) *equals* "Budget Basis Surplus (Deficit)" *minus (plus)* Other Cash Uses (Sources) relating to changes in Accounts Payable during the fiscal year.**

TABLE 6
STATE OF ILLINOIS
GENERAL FUNDS RECONCILIATION
FISCAL YEAR 2009
($ IN THOUSANDS)

	Cash Basis	Adjustments for Budgetary Basis	Budgetary Basis	Adjustments for GAAP	GAAP Basis
Revenues:					
Income Taxes (net)	$10,932,843	$ -	$10,932,843	$ (128,604)	$10,804,239
Sales Taxes (net)	6,772,792	7	6,722,799	(114,214)	6,658,585
Public Utility Taxes (net)	1,167,764	-	1,167,764	598	1,168,362
Federal Government (net)	6,495,655	-	6,495,655	2,628,640	9,124,295
Other (net)	2,097,691	-	2,097,691	2,308,518	4,406,209
Total Revenues	**$27,466,745**	**$ 7**	**$27,466,752**	**$ 4,694,938**	**$32,161,690**
Expenditures:					
Current:					
Health and Social Services	13,906,767	1,492,513	15,399,280	3,196,532	18,595,812
Education	10,251,577	1,088,851	11,340,428	597,181	11,937,609
General Government	654,485	56,442	710,927	192,217	903,144
Employment and Economic Development	133,885	(7,421)	126,464	4,184	130,648
Transportation	20,172	5,314	25,486	41,030	66,516
Public Protection and Justice	1,894,344	156,571	2,050,915	312,278	2,363,193
Environment and Business Regulation	81,709	2,435	84,144	38,806	122,950
Debt Service:					
Principal	-	-	-	1,935	1,935
Interest	-	-	-	924	924
Capital Outlays	22,026	(1,653)	20,373	(10,125)	10,248
Total Expenditures	**$26,964,965**	**$ 2,793,052**	**$29,758,017**	**$ 4,374,962**	**$34,132,979**
Excess of Revenues Over Expenditures	**$ 501,780**	**$ (2,793,045)**	**$(2,291,265)**	**$ 319,976**	**$(1,971,289)**
Other Sources (Uses) of Financial Resources:					
Transfers In	6,151,663	-	6,151,663	(3,181,539)	2,970,124
Transfers Out	(8,914,166)	(184,569)	(9,098,735)	4,456,118	(4,642,617)
Proceeds from General and Special Obligation Bond Issues	2,400,000		2,400,000	(2,400,000)	-
Proceeds from Capital Lease Financing		-	-	916	916
Net Other (Uses) of Financial Resources	**$ (362,503)**	**$ (184,569)**	**$ (547,072)**	**$ (1,124,505)**	**$(1,671,577)**
Excess of Revenues Over Expenditures and Net Other (Uses) of Financial Resources	**$ (139,277)**	**$ (2,977,614)**	**$ (2,838,337)**	**$ (804,529)**	**$(3,642,866)**
Fund Balances (Deficit) July 1, 2008	140,541	(975,032)	(834,491)	(3,099,830)	(3,934,321)
Restatement	-	-	-	(101,999)	(101,099)
Fund balances (Deficit) July 1, 2008, as restated	140,541	(975,032)	(834,491)	(3,200,929)	(4,035,420)
Increase (decrease) for changes in inventories	-	-	-	(3,217)	(3,217)
Fund Balances (Deficit) June 30, 2009	**$ 279,818**	**$ (3,952,646)**	**$(3,672,828)**	**$ (4,008,675)**	**$(7,681,503)**

Source: Based on information from the Comptroller and derived from the State's FY 2009 Comprehensive Annual Financial Report, which may be found at: *www.apps.ioc.state.il.us/ioc-pdf/CAFR_2009.pdf*).

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GAAP FINANCIAL REPORT

The complete General Purpose Financial Statements for Fiscal Year 2009, prepared in accordance with GAAP, have been filed with each nationally recognized municipal securities information repository (each, a "NRMSIR") and are incorporated herein by reference thereto. Such Statements are also available upon request from the Comptroller at (217) 782-6000 or from the Comptroller's webpage at www.illinoiscomptroller.com. These statements were prepared by the Comptroller and examined and certified by the State Auditor General. For Fiscal Year 2009 the Auditor General has expressed an unqualified opinion on the General Purpose Financial Statements.

Note 1 – Cash/Budget to GAAP Perspective Difference

On the GAAP basis, the Medicaid Provider Assessment Program Funds and the Income Tax Refund Fund are reported as part of the General Fund; whereas, they are not considered part of the General Fund on the budgetary basis or the cash basis.

Note 2 – Cash to Budget Adjustments

The budgetary basis fund balance deficit of $3,672,828 equals the June 30, 2009 cash balance of $279,818 less cash lapse period expenditures and transfers-out of $3,952,646. Adjustments from the cash basis of accounting for Fiscal Year 2009 to the budgetary basis include adding Fiscal Year 2009 lapse period spending (July 1 – August 31, 2009) and subtracting Fiscal Year 2008 lapse period spending (July 1 – August 31, 2008). Lapse period expenditures are payments between July 1 – August 31 for services received and for goods "encumbered" (ordered or contracted for) on or before June 30 and received no later than August 31 which are paid from Fiscal Year 2009 "lapsing accounts." These expenditures include refunds which have been netted against the related revenue. Lapse period transfers-out are statutory transfers approved on or prior to June 30, 2009 but not made until after June 30, 2009.

Note 3 – Budget to GAAP Adjustments

A detail of the reconciliation of the budgetary basis vs. GAAP is presented in the Notes to Required Supplemental Information in the Comprehensive Annual Financial Report. Significant differences noted in the financial statements include recording accounts receivable, deferred revenue and accounts payable at year-end. Accounts payable include liabilities which will be paid from future year appropriations (e.g., income tax refunds, Public Aid medical reimbursements and payments to local school boards for State Board of Education reimbursement programs).

There were also classification differences between the budgetary basis and GAAP. Interest paid on income tax refunds is reported as general government expenditures for GAAP reporting purposes and as a reduction of revenues in the budgetary presentation. In addition, transfers from the General Revenue Fund to the Common School Fund and from the Common School Special Account to the Common School Fund, which are reported on the budgetary basis, have been eliminated for GAAP reporting purposes.

Note 4 – Restatement

The June 30, 2008 fund balance for the General Fund has been restated $101,099 from a deficit of $3,934,321 to a deficit of $4,035,420. The restatement was due to the understatement of reimbursements owed to the Workers' Compensation Revolving Fund.

TAX STRUCTURE

GENERAL FUNDS

The General Funds receive the major share of tax revenues from the following five sources:

Personal Income Tax: The personal income tax liability is 3.0 percent of each taxpayer's Illinois net income with a $2,000 exemption allowed for the taxpayer, the taxpayer's spouse, and each dependent claimed on their federal return. There are also additional $1,000 exemptions for the elderly and for the blind.

The Income Tax Refund Fund (the "Refund Fund") was created in 1989. Both corporate and personal income tax refunds are paid from the Refund Fund rather than the General Revenue Fund. The annual percentage of corporate or personal income tax collections deposited into the Refund Fund (the "Refund Fund Rate") is set by statute for some years and for other years is determined by a formula, the numerator of which is the prior year income tax refunds paid or approved for payment, and the denominator is the prior year income tax collections. For Fiscal Year 2010 and proposed for Fiscal Year 2011, the state has maintained the same Refund Fund Rates (described below) as utilized in Fiscal Year 2009, resulting in an estimated increase in the Refund Fund backlog for corporate income tax refunds to an estimated balance of approximately $1,000 million by the end of Fiscal Year 2010 and $1,370 million by the end of Fiscal Year 2011.

The Refund Fund rate for personal income taxes was statutorily set at 7.1 percent for Fiscal Years 1999 - 2001 to accommodate increases to the personal exemption. In Fiscal Year 2002, the Refund Fund rate for personal income taxes was determined by the statutory formula, with a cap of 7.6 percent. In Fiscal Year 2003, the Refund Fund rate for personal income taxes was set at 8.0 percent. The Refund Fund rate for Fiscal Year 2004 for personal income taxes was set at 11.7 percent. The statutory rates were set at 10% for Fiscal Year 2005, and 9.75% through Fiscal Year 2007. The Fiscal Year 2008 and Fiscal Year 2009 budget adopted a 7.75% and 9.75% rate, respectively. The Fiscal Year 2010 and Fiscal Year 2011 adopted a 9.75% and 8.75% rate, respectively.

7.3% of all personal income tax collections not deposited into the Refund Fund is deposited into the Education Assistance Fund. All personal income tax collections, not deposited into the Education Assistance Fund or the Refund Fund, are deposited into the General Revenue Fund. In addition, 10% of all personal income tax collections not deposited into the General Revenue Fund is transferred to the Local Government Distributive Fund. The Fiscal Year 2011 Budget proposes reducing that rate to 7%.

Corporate Income Tax: The corporate income tax liability is 4.8 percent of each corporation's net income. The State Constitution requires that the basic corporate income tax rate not exceed the personal income tax rate by more than a ratio of 8:5. Multi-state corporations have corporate income apportioned to Illinois using a fraction equal to their sales attributable to Illinois divided by their total sales.

The Refund Fund rate for corporate income taxes was statutorily set at 19.0 percent for Fiscal Years 1999 - 2001 to accommodate the changes to the apportionment formula. In Fiscal Year 2002, the Refund Fund rate for corporate income taxes was determined by the statutory formula, with a cap of 23.0 percent. In Fiscal Year 2003, the Refund Fund rate for corporate income taxes was set at 27.0 percent. The Refund Fund rate for Fiscal Year 2004 for corporate income taxes was set at 32 percent. The statutory rates were set at 24%, 20% and 17.5% for Fiscal Years 2005, 2006 and 2007, respectively. The Fiscal Year 2008 and Fiscal Year 2009 budget adopted a 15.5% and 17.5% rate, respectively. The Fiscal Year 2010 and Fiscal Year 2011 budget adopted a 17.5% rate.

7.3% of all corporate income tax collections not deposited into the Refund Fund is deposited into the Education Assistance Fund. All corporate income tax collections, not deposited into the Education Assistance Fund or the Refund Fund, are deposited into the General Revenue Fund. In addition, 10% of all corporate income tax collections not deposited into the General Revenue Fund is transferred to the Local Government Distributive Fund. The Fiscal Year 2011 Budget proposes reducing that rate to 7%. Corporations are also subject to a Personal Property Tax Replacement Income Tax at a rate of 2.5 percent (1.5 percent for a partnership, trust, or Subchapter S corporation), imposed to replace for local governments the corporate personal property tax which was abolished on January 1, 1979. The replacement income tax is distributed to local governments by the State.

Sales Tax: The State levies a sales and use tax on retail sales of tangible personal property, subject to certain exemptions. Food for human consumption that is to be consumed off the premises where sold (other than alcoholic beverages, soft drinks and food that has been prepared for immediate consumption), as well as prescription and nonprescription medicines, drugs, medical appliances, modifications to a motor vehicle for the purpose of rendering it usable by a disabled person, and insulin, urine testing materials, syringes, and needles used by diabetics, for human use are taxed at the reduced State rate of 1%. Revenues on these latter items are distributed to local jurisdictions.

On and after September 1, 2009, however, "candy" is taxed at the rate of 6.25%, rather than as a food at 1%. In addition, "grooming and hygiene products," some of which were previously taxed as medicines at 1%, are now taxed at the rate of 6.25%. Also, effective September 1, 2009, the definition of "soft drink" changed. As a result, beverages that were previously not considered to be soft drinks are now included in the definition of "soft drinks" and are taxed at the 6.25% rate (for example, sweetened tea). Beginning October 1, 2009, each month the Department of Revenue must pay into the Capital Project Fund an amount that is equal to an amount estimated by the Department of Revenue to represent 80% of the net revenue realized for the preceding month from the sale of candy, grooming and hygiene products, and soft drinks that had been taxed at the 1% rate prior to September 1, but which are taxed at 6.25% on and after September 1, 2009.

The sales and use tax rate on general merchandise is 6.25 percent, comprised of the State's portion of 5.0 percent and the local government's portion of 1.25 percent. As noted above, a reduced rate applies to qualifying food and drugs (revenues are distributed to local jurisdictions). The 6.25 percent tax is applied to a standard base, meaning counties and municipalities must tax the same items as the State. The State also imposes a tax on tangible personal property transferred incident to sales of service. This tax (as well as a corresponding Service Use Tax) is imposed at the rate of 6.25% and generally contains exemptions identical to those in the retail tax. Revenues from the State's 5% percent are distributed 25% percent into the Common School Fund and 75% into the General Revenue Fund after a series of transfers into other State funds (including the Build Illinois Fund and the Illinois Tax Increment Fund).

Public Utility Taxes: Public utility tax receipts are comprised of taxes on electricity, natural gas, and telecommunications. In Fiscal Year 2006, public utility taxes provided 3.9 percent of General Fund revenues. The Gas Revenue Tax is imposed on gas utilities at the lesser of 5.0 percent of gross receipts or 2.4 cents per therm. Revenues from the Gas Revenue Tax are deposited into the General Revenue Fund. The Gas Use Tax is imposed upon users for gas purchased out of state, and is imposed at the same rate as the Gas Revenue Tax (5% of the purchase price or 2.4 cents per therm). Revenues from the Gas Use Tax are deposited into the General Revenue Fund. The tax on electricity is a per kilowatt hour tax on end-user usage, with the marginal tax rate declining as usage increases during the month. Any purchasers for non-residential electric use may opt to be "self-assessing purchasers" and pay at the rate of 5.1 percent of purchase price of the electricity that is used or consumed in a month. Three percent of the revenues from the Electricity Excise Tax is deposited into the Public Utility Fund (less $416,667 per month, which is paid into the General Revenue Fund); the remainder is deposited into the General Revenue Fund.

The Telecommunications Excise Tax Act was amended in 1998 to raise the tax on the privilege of originating or receiving telecommunications from 5.0 to 7.0 percent of gross receipts charged to a taxpayer's service address in Illinois. One half of the additional revenue is deposited into the Common School Fund, and one-half is deposited into the School Infrastructure Fund. The remainder is deposited into the General Revenue Fund. Transfers from the School Infrastructure Fund are made to the GOBRI Fund as a supplementary source for debt service on school construction bonds issued under Section 5(e) of the Bond Act.

Cigarette Tax: The cigarette tax is 49 mils per cigarette (98 cents per package of 20 cigarettes) and was last increased by 20 mils (40 cents per package of 20 cigarettes) effective July 1, 2002. From the total tax collected $29.2 million a month is deposited into the General Revenue Fund and $5 million a month is deposited into the School Infrastructure Fund for debt service payments on an expansion of the school construction grant program. Remaining cigarette tax revenues are deposited into the Long Term Care Provider Fund.

ROAD FUND

The Road Fund receives the bulk of its State revenues from motor fuel taxes and vehicle registration fees.

Motor Fuel Tax: The State imposes the following taxes on the privilege of operating motor vehicles on the public highways and recreational-type watercraft upon the waterways of the State:

- Motor fuel tax of 19 cents per gallon;
- Additional motor fuel tax on diesel fuel of 2.5 cents per gallon (21.5 cents per gallon on diesel fuel);
- Leaking Underground Storage Tank (LUST) tax of 0.3 cents per gallon and Environmental Impact Fee (EIF) ($60 per 7500 gallons of fuel, equivalent to 8/10 of a cent per gallon) for a total of 1.1 cents per gallon on fuel received in Illinois; and
- Motor Fuel Use Tax is imposed upon the use of motor fuel upon highways in the State by commercial motor vehicles. The tax is comprised of 2 parts. Part (a) is comprised of the motor fuel tax (19 cents per gallon or 21.5 cents per gallon for diesel fuel); Part (b) is the rate established by the Department of Revenue as of January 1 of each year using the average selling price per gallon of motor fuel sold in Illinois during the previous 12 months, multiplied by 6.25% to determine the cents per gallon rate.

Motor fuel tax receipts (except for LUST taxes and Environmental Impact Fees) are deposited into the Motor Fuel Tax ("MFT") Fund. The revenues from the MFT Fund are split between the State and local government units after certain administrative expenses and a series of transfers out to other State funds. These revenues are split 45.6 percent to the State and 54.4 percent to the local governments. Of the State's share, 37 percent is deposited into the State Construction Account Fund and 63 percent is deposited into the Road Fund. The local share of receipts is awarded as grants to municipalities, counties, townships and road districts.

The revenues from the additional diesel tax are transferred into the State Construction Account Fund which is used for highway construction. The revenues from the 1.1 cents per gallon LUST/EIF tax are transferred into the Underground Storage Tank Fund until January 1, 2013 (Public Act 96-0161, effective August 10, 2009 extends the LUST/EIF tax until January 1, 2025).

Motor Vehicle Fees: Revenue from motor vehicle fees is derived primarily from vehicle registrations, with fees from operators' and chauffeurs' licenses and vehicle titles representing a smaller portion of the total. Approximately 60 percent of these fees are paid into the Road Fund, and the remainder is paid into the State Construction Account Fund and other smaller funds. Motor vehicle registration fees are $98 annually and large truck and trailer registration fees were on a scale ranging from $135 for an 8,000 pound truck to $2,790 for an 80,000 pound truck. Certificate of title fees are $95. Since calendar year 2000, $48 of each title fee increase has been deposited into the Road Fund and the remaining $4 has been deposited into the Motor Vehicle License Plate Fund. Starting January 1, 2010, $30 of each title fee increase will be deposited into the Capital Projects Fund.

TAX BURDEN

According to two commonly cited measures of tax burden, tax receipts per capita and tax receipts per $1,000 of personal income, Illinois has an average state tax burden. In 2008, the State's tax collections per capita of $2,472 ranked 25th among the states, below the national average of $2,593. When taking into consideration the wealth of states in the United States, the State's 2008 state tax collections per $1,000 of personal income of $58 was below the national average of $65.

Data on state revenues comparison comes from the Census Bureau, State Government Finances: 2008. Total general revenue collections include state taxes, intergovernmental revenue, current charges and other miscellaneous general revenue. State tax collections include sales and gross receipts, corporate income, personal income and other taxes.

MONEY PAID TO THE STATE UNDER PROTEST

Money paid to the State under protest is required to be placed by the Treasurer in a special fund known as the Protest Fund. Corporate income tax, personal property replacement tax, liquor tax and Insurance Privilege Tax comprise approximately 70% of the receipts into this fund. After 30 days from the date of payment into the Protest Fund, the money is to be transferred from the Protest Fund to the appropriate fund in which it would have been deposited had there been no protest. However, the party making the payment under protest may, within that 30-day period, file a complaint and secure a temporary injunction restraining the transfer from the Protest Fund. Under the injunction, the money is to remain in the Protest Fund until a final order or decree of a court determines the proper disposition of the money. As of May 31, 2010, the total Protest Fund balance was $325.6 million.

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INDEBTEDNESS

SHORT-TERM DEBT

Pursuant to the Illinois Constitution and the Short Term Borrowing Act, the Governor, Comptroller and Treasurer are authorized (i) to borrow an amount not exceeding 5% of the State's appropriations for any fiscal year in anticipation of revenues to be collected in that fiscal year, which borrowing is to be repaid by the close of that fiscal year and (ii) to borrow an amount not exceeding 15% of the State's appropriations for any fiscal year to meet failures in revenues, which borrowing is to be repaid within one year.

The Short Term Borrowing Act constitutes an appropriation out of any money in the State Treasury of an amount sufficient to pay the principal and interest on short-term certificates issued pursuant to such Act.

The following table summarizes the State's history of issuing short-term debt.

TABLE 7
SHORT-TERM CERTIFICATES ISSUED
($ IN MILLIONS)

Date Issued	Amount Issued	Final Maturity
August 2009	$ 1,250	June 2010
May 2009	1,000	May 2010
December 2008	1,400	June 2009
April 2008[1]	1,200	June 2008
September 2007[1]	1,200	November 2007
February 2007[1]	900	June 2007
November 2005	1,000	June 2006
March 2005[1]	765	June 2005
June 2004	850	October 2004
May 2003	1,500	May 2004
July 2002	1,000	June 2003
August 1995	500	June 1996
August 1994	687	June 1995
August 1993	900	June 1994
October 1992	300	June 1993
August 1992	600	May 1993
February 1992	500	October 1992
August 1991	185	June 1991
February 1987	100	February 1988
June-July 1983	200	May 1984

[1] Hospital Assessment Conduit Financings

GENERAL OBLIGATION BONDS

GO Bonds of the State may be authorized by a vote of three-fifths of the members of each house of the General Assembly or by a majority of the voters at a general election. The Bond Act consolidated the authorization contained in prior bond acts into a single act and currently authorizes the issuance of multiple purpose GO Bonds in the aggregate amount of $23,020,777,443, excluding general obligation refunding bonds, for capital purposes and $13,466,000,000 of GO Bonds for pension funding purposes.

In addition, GO Bond authorization was increased (i) by $3 billion dollars for certain transportation projects pursuant to Public Act 96-5 and (ii) in various categories pursuant to Public Act 96-36. The increases described in clauses (i) and (ii) were made in connection with the passage of the Illinois Jobs Now! capital program.

The Bond Act was further amended, pursuant to Public Act 96-18, effective June 26, 2009, to increase the General Obligation refunding bonds authorization by $2 billion.

The following table shows the statutory general obligation bond authorization and all GO Bonds outstanding as of July 1, 2010.

TABLE 8
GENERAL OBLIGATION BONDS

Authorization Category	Amount Authorized[3]	Amount Issued	Authorized Unissued	Amount Outstanding
Authorized under Prior Bond Acts[1]				
Anti-Pollution	$ 599,000,000	$ 599,000,000	$ -	$ -
Capital Development	1,737,000,000	1,737,000,000	-	-
Coal and Energy Development	35,000,000	35,000,000	-	-
School Construction	330,000,000	330,000,000	-	-
Transportation Series A	1,326,000,000	1,326,000,000	-	-
Transportation Series B	403,000,000	403,000,000	-	-
Total	$4,430,000,000	$4,430,000,000	$ 0	$ 0
Authorized under Current Bond Act[2]				
Multi-purpose	22,770,777,443	18,797,386,352	3,973,391,091	8,978,269,170
Special purpose	250,000,000	246,095,000	3,905,000	246,095,000
Refunding Bonds[3]	4,839,025,000	6,070,824,239	1,723,306,171	3,115,718,829
Subtotal	$27,859,802,443	$25,114,305,591	$5,700,602,262	$12,340,082,999
Pension Bonds	13,466,000,000	13,466,000,000	-	13,316,000,000
Total	$41,325,802,443	$38,580,305,591	$5,700,602,262	$25,656,082,999
Currently Authorized less Refunding	$36,486,777,443[4]			
Currently Outstanding less Refunding				$22,540,364,170

1 These bonds were issued under predecessor statutes to the Bond Act.

2 As authorized under the current General Obligation Bond Act, 30 ILCS 330/1 et seq.

3 The State is authorized to issue $4,839,025,000 of GO Bonds, at any time and from time to time outstanding, for the purpose of refunding any outstanding GO Bonds. The authorized unissued amount of refunding bonds is the difference between the amount authorized and the amount outstanding. Refunding bonds in the aggregate amount of $2,955,105,410 were issued, have matured or have been refunded, and are no longer outstanding.

4 Excludes $750,000,000 in tobacco securitization bonds as legislative authorization has expired.

Note: Includes the Bonds.

Pursuant to the Bond Act, amounts in the Anti-Pollution bond retirement and interest fund were transferred to and consolidated in the GOBRI Fund. The GOBRI Fund is used to make debt service payments on outstanding GO Bonds issued for these purposes, on multiple purpose and refunding bonds issued under the Bond Act, and on short-term certificates issued as described above under "SHORT-TERM DEBT."

As of July 1, 2010 a total of $885.2 million was available in the GOBRI Fund. The amount of outstanding GO Bonds shown above has not been reduced by the remaining amounts otherwise available in the GOBRI Fund.

INTEREST RATE EXCHANGE AGREEMENTS

In October 2003, the State entered into five separate, but substantially identical, interest rate exchange agreements (collectively, the "Agreements") to convert the variable rate on its Variable Rate General Obligation Bonds, Series B of October 2003, to a synthetic fixed rate. The Agreements have an aggregate notional amount of $600 million, bear a fixed rate of interest of 3.89% and were allocated among five separate counterparties (each a "Counterparty," and collectively, the "Counterparties"). The Agreements are proportionate among the Counterparties, and the Agreement amounts are identified to and amortize with the Series B of October of 2003 variable rate bonds until their final maturity on October 1, 2033. Pursuant to Section 9(b) of the Bond Act, net payments under the Agreements shall be considered interest on such bonds, which shall be subject to continuing appropriation for payment by the General Assembly, and are general obligations of the State.

The following chart shows the counterparties and the respective notional amounts for the Agreements which converted the Variable Rate General Obligation Bonds, Series B of October 2003 to a synthetic fixed rate obligation.

Counterparty	**Notional Amount**
Loop Financial Products*	$384,000,000
Bank of America	54,000,000
AIG Financial Products Corp.	54,000,000
Merrill Lynch	54,000,000
JPMorgan Chase Bank	54,000,000
Total Notional Amount	**$600,000,000**

* Deutsche Bank AG credit support

The State entered into the Agreements as a means of (1) lowering its borrowing costs when compared to fixed-rate bonds at the time of issuance and (2) limiting interest rate risk inherent in variable rate debt. The Agreements may expose the State to certain market and credit risks. The State may terminate the Agreements at any time at market value, or upon the occurrence of certain events. In addition, either the State or the Counterparties may terminate the Agreements if the other party fails to perform under the terms of the Agreements. A Counterparty may terminate its related Agreement if the State's rating falls below "BBB" from S&P, "Baa" from Moody's and "BBB" from Fitch. If the Agreements are terminated, the related bonds would continue to bear interest at a variable rate, and the State could be liable for a termination payment if the Agreements have a negative market value.

HISTORICAL BORROWING

The following table summarizes the level of bond sales from Fiscal Years 2006-2011.

TABLE 9
GENERAL OBLIGATION BOND SALES
($ IN MILLIONS)

Fiscal Year	Capital Improvement	Refunding	Special Purpose	Pension
2006	$925.0	$275.0	-	-
2007	258.0	329.0	-	-
2008	125.0	-	-	-
2009	150.0	-	-	-
2010	2,456.0	1,501.3	$246.1	$3,466.0
2011[1]	1,200.0	-	-	-

[1] Includes the Bonds expected to be issued pursuant to this Official Statement

INDEBTEDNESS IN PRIOR YEARS

The following table shows the outstanding general obligation bonded indebtedness of the State at the end of each fiscal year from 2005-2010.

TABLE 10
GENERAL OBLIGATION BONDS OUTSTANDING
($ IN MILLIONS)

End of Fiscal Year	Capital Improvement	Special Purpose	Pension Funding[1]
2005	$9,893.0	-	$10,000.0
2006	10,251.4	-	10,000.0
2007	9,925.7	-	10,000.0
2008	9,463.0	-	9,950.0
2009	9,051.8	-	9,900.0
2010	12,093.9	246.1	13,316.0

[1] Principal of and Interest on the 2003 Pension Bonds is funded with corresponding reductions to the Unfunded Actuarial Accrued Liability payments appropriated from the general funds as an unfunded liability replacement financing pursuant to Public Acts 88-593, 94-004 and 93-009.

FUTURE FINANCINGS

Upon final approval by the General Assembly, the State plans to issue by the end of calendar year 2010, approximately $3,800 million in pension bonds to help fund its unfunded pension liability. The State also plans to sell its right to receive payments from the settlement with the tobacco companies to a separate authority which will issue approximately $1,200 million in bonds to acquire those rights. These bonds will not be general obligation bonds of the State, and they will be issued as revenue-backed, non-recourse bonds.

In addition, the Governor has issued notice, pursuant to the Short Term Borrowing Act, of the need for the State to issue $1,300 million in short-term general obligation debt for the purpose of providing cash flow support during Fiscal Year 2011. Such short-term debt is the result of a shortfall in anticipated revenue. The short term debt is anticipated to be issued in late July 2011 and will be repaid in Fiscal Year 2011 within eleven months from its date of issuance. The short-term General Obligation Certificates will be sold with a "SP1" rating from Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies. See "STATE FINANCIAL INFORMATION – FISCAL YEAR 2011 BUDGET." The State evaluates its short-term cash needs from time to time and based on such evaluations may seek to issue additional short-term general obligation debt due within one year from its date of issuance.

The State also periodically reviews its existing debt and has authorization to enter into other refunding transactions from time to time as dictated by economic conditions.

DEBT SERVICE PAYMENTS

Debt service of the State's GO Bonds is paid from the GOBRI Fund. The GOBRI Fund receives transfers from the Road Fund to pay debt service on GO Bonds issued for Transportation A Highways purposes, from the School Infrastructure Fund and the General Revenue Fund to pay debt service on GO Bonds issued under Section 5(e) of the Bond Act and from the General Revenue Fund to pay debt service on GO Bonds issued for all other purposes.

Not including debt service on short-term debt certificates as may be from time to time outstanding; the following table shows debt service payments on GO Bonds from Fiscal Year 2005 through 2009 and the funds from which the transfers originate.

TABLE 11
GENERAL OBLIGATION BONDS
DEBT SERVICE PAYMENTS[1]
($ IN MILLIONS)

	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10
Road Fund	$237.5	$258.5	$253.7	$252.9	$252.9	$256.5
School Infrastructure Fund	200.7	230.1	232.9	235.9	223.1	228.7
General Funds	660.6	664.7	693.0	695.6	684.3	648.0
All Funds-Pension[1]	496.2	496.2	496.2	546.2	545.0	543.6

[1] Principal and Interest on the 2003 Pension Bonds is funded with corresponding reductions to the Unfunded Actuarial Accrued Liability payments appropriated from the general funds as an unfunded liability replacement financing pursuant to Public Acts 88-593, 94-004 and 93-009.

MEASURES OF DEBT BURDEN

Tables 12, 13, 14 and 15 show various measures of the relative burden of the State's general obligation debt and debt service.

TABLE 12
RATIO OF GENERAL OBLIGATION DEBT SERVICE
TO TOTAL GENERAL AND ROAD FUND APPROPRIATIONS
FISCAL YEARS 2005-2010

Fiscal Year	Total Expenditures[1] ($ In Millions)	Capital Improvement Bonds % of Expenditures	Pension Bonds % of Expenditures
2005	26,736	4.11%	1.86%
2006	27,982	4.12%	1.77%
2007	30,952	3.81%	1.60%
2008	32,405	3.66%	1.69%
2009	37,354	3.11%	1.46%
2010	33,882	3.35%	1.61%

[1] Includes aggregate appropriations from the General Funds and the Road Fund for each fiscal year.

TABLE 13
RATIO OF GENERAL OBLIGATION DEBT TO ILLINOIS PERSONAL INCOME
FISCAL YEARS 2005-2009

Fiscal Year	Illinois Personal Income[1] ($ In Billions)	Capital Improvement and Refunding Bonds % of Personal Income	Pension Bonds % of Personal Income
2005	463.1	2.14%	2.16%
2006	490.5	2.09%	2.04%
2007	525.9	1.89%	1.90%
2008	547.0	1.73%	1.82%
2009	547.0	1.65%	1.81%

[1] U.S. Department of Commerce, Bureau of Economic Analysis, October 2009.

Note: 2009 personal income data not yet available and is estimated to be flat from 2008.

TABLE 14
GENERAL OBLIGATION DEBT PER CAPITA
FISCAL YEARS 2005- 2009

	2005	2006	2007	2008	2009
Population (in Thousands)[1]	12,720	12,777	12,853	12,902	12,902
Capital Improvement and Refunding Bonds	$778	$802	$772	$733	$702
Pension Bonds Debt per Capita[2]	$786	$783	$778	$771	$767

[1] U.S. Department of Commerce, Bureau of the Census, October 2009. 2009 population is assumed to be flat from 2008.

[2] Approximately 73% of the Pension Bond Debt per Capita is offset by corresponding unfunded pension liability per capita, which existed prior to the issuance of the pension bonds.

TABLE 15
RATIO OF GENERAL OBLIGATION DEBT TO EQUALIZED ASSESSED VALUATION[1]
FISCAL YEARS 2005-2009

Equalized Assessed Value ("EAV")		Capital Improvement and Refunding Bonds		Pension Bonds	
Year	($ Millions)	($ Millions)	% of EAV	($ Millions)	% of EAV
2005	303,038	9,893.0	3.26	10,000.0	3.30
2006	331,337	10,251.4	3.09	10,000.0	3.02
2007	362,068	9,925.7	2.73	10,000.0	2.75
2008	382,638	9,462.9	2.47	9,950.0	2.60
2009	402,503	9,051.8	2.25	9,900.0	2.46

[1] Estimate for 2008-2009 provided by the Illinois Department of Revenue, October 2009.

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Table 16
MATURITY SCHEDULE - GENERAL OBLIGATION BONDS
Bond Issuances through July 14, 2010

	General Obligation Capital Improvement Bonds and Short Term Notes						General Obligation Pension Bonds			Total
Fiscal Year June 30	Special Purpose	Multiple Purpose	Refunding	Total Principal	Total Interest	Total Debt Service	Principal	Interest	Debt Service	Combined Total Debt Service
2011	246,095,000	442,451,202	222,608,829	911,155,031	625,887,606	1,537,042,637	743,200,000	601,177,049	1,344,377,049	2,881,419,686
2012	-	432,693,439	239,780,000	672,473,439	626,358,998	1,298,832,437	793,200,000	591,186,628	1,384,386,628	2,683,219,065
2013	-	373,390,751	304,460,000	677,850,751	584,673,154	1,262,523,905	793,200,000	568,262,716	1,361,462,716	2,623,986,621
2014	-	317,729,607	361,470,000	679,199,607	535,116,262	1,214,315,869	793,200,000	541,391,544	1,334,591,544	2,548,907,413
2015	-	366,375,720	333,025,000	699,400,720	482,863,465	1,182,264,185	793,200,000	509,221,372	1,302,421,372	2,484,685,557
2016	-	378,746,341	308,345,000	687,091,341	453,805,788	1,140,897,129	100,000,000	474,525,000	574,525,000	1,715,422,129
2017	-	377,986,341	281,300,000	659,286,341	416,827,693	1,076,114,034	125,000,000	470,175,000	595,175,000	1,671,289,034
2018	-	375,817,806	260,155,000	635,972,806	376,172,447	1,012,145,253	150,000,000	464,737,500	614,737,500	1,626,882,753
2019	-	396,542,317	205,770,000	602,312,317	344,109,885	946,422,202	175,000,000	458,212,500	633,212,500	1,579,634,702
2020	-	393,691,629	182,820,000	576,511,629	319,407,071	895,918,700	225,000,000	449,550,000	674,550,000	1,570,468,700
2021	-	382,210,883	178,160,000	560,370,883	285,297,297	845,668,180	275,000,000	438,412,500	713,412,500	1,559,080,680
2022	-	439,297,410	96,670,000	535,967,410	247,843,337	783,810,747	325,000,000	424,800,000	749,800,000	1,533,610,747
2023	-	448,932,922	78,800,000	527,732,922	225,621,863	753,354,785	375,000,000	408,712,500	783,712,500	1,537,067,285
2024	-	435,393,968	56,500,000	491,893,968	192,560,629	684,454,597	450,000,000	390,150,000	840,150,000	1,524,604,597
2025	-	418,428,835	5,855,000	424,283,835	170,976,384	595,260,219	525,000,000	367,200,000	892,200,000	1,487,460,219
2026	-	435,270,000	-	435,270,000	147,045,533	582,315,533	575,000,000	340,425,000	915,425,000	1,497,740,533
2027	-	424,185,000	-	424,185,000	125,220,117	549,405,117	625,000,000	311,100,000	936,100,000	1,485,505,117
2028	-	389,845,000	-	389,845,000	103,570,150	493,415,150	700,000,000	279,225,000	979,225,000	1,472,640,150
2029	-	358,610,000	-	358,610,000	82,448,383	441,058,383	775,000,000	243,525,000	1,018,525,000	1,459,583,383
2030	-	303,500,000	-	303,500,000	65,551,933	369,051,933	875,000,000	204,000,000	1,079,000,000	1,448,051,933
2031	-	259,455,000	-	259,455,000	51,059,517	310,514,517	975,000,000	159,375,000	1,134,375,000	1,444,889,517
2032	-	200,575,000	-	200,575,000	39,390,490	239,965,490	1,050,000,000	109,650,000	1,159,650,000	1,399,615,490
2033	-	199,865,000	-	199,865,000	29,602,097	229,467,097	1,100,000,000	56,100,000	1,156,100,000	1,385,567,097
2034	-	233,035,000	-	233,035,000	18,150,537	251,185,537	-	-	-	251,185,537
2035	-	146,240,000	-	146,240,000	8,311,010	154,551,010	-	-	-	154,551,010
2036	-	48,000,000	-	48,000,000	1,996,800	49,996,800	-	-	-	49,996,800
2037	-	-	-	-	-	-	-	-	-	-
Total	246,095,000	8,978,269,171	3,115,718,829	12,340,083,000	6,559,868,446	18,899,951,446	13,316,000,000	8,861,114,309	22,177,114,309	41,077,065,755

Notes: Multiple Purpose above includes $800,000 of Anti-Pollution bonds maturing in FY 11 and final results of the bonds issued pursuant to this Official Statement.
Interest on Build America Bonds is shown net of the Federal subsidy of 35%.

REVENUE BONDS

Revenue bonds are either those bonds for which the State dedicates a specific revenue source for debt service or those bonds under which the State is committed to retire debt issued by certain authorities or municipalities created and organized pursuant to law and operating within the State. The State's commitment is based upon various Illinois statutes and upon contractual arrangements with the issuers. Table 17 identifies the type and current level of revenue bonded indebtedness. A description of each bond program follows the table.

TABLE 17
REVENUE BONDS
(ESTIMATED AS OF DECEMBER 30, 2009)

($ IN MILLIONS)

Revenue Bond Program	Bonds Outstanding
Build Illinois (Sales Tax Revenue Bonds)	$2,493.6
Metropolitan Exposition and Auditorium Authorities - Civic Center Program	91.4
MPEA[1] - Dedicated State Tax Revenue Bonds	139.0
MPEA[1,2] - McCormick Place Expansion Project and Refunding Bonds	2,081.0
Illinois Sports Facilities Authority	450.2
Illinois Certificates of Participation	20.4
Total	**$5,275.6**

1 Metropolitan Pier and Exposition Authority ("MPEA")

2 Bonds outstanding include capital appreciation bonds expressed in the amount of original principal issuance.

Note: Columns may not add due to rounding.

BUILD ILLINOIS

The Build Illinois program funds initiatives in business development, infrastructure construction and replacement, education, and environmental protection. The Build Illinois Bonds are dedicated State tax revenue bonds. The current Build Illinois Bond authorization is $4,615.5 million. Public Act 93-839 amended the Build Illinois Bond Act, 30 ILCS 425 *et seq.*, to include restrictions similar to those contained in the Bond Act.

The Build Illinois Fund receives 3.8 percent of State sales tax collections to support debt service on Build Illinois Bonds and project spending. To the extent these revenues are insufficient in any month to provide specified amounts set forth in law to secure Build Illinois Bonds, an additional amount equal to the deficiency will be paid from the State's sales tax collections.

Build Illinois Bonds are limited obligations of the State payable solely from the specified State sales tax receipts. Build Illinois 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 Build Illinois Bonds may not require the levy or imposition of any taxes or the application of other State revenue or funds to the payment of the bonds, except for the specified sales tax revenues pledged to the bonds.

METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITIES—CIVIC CENTER PROGRAM

In 1989, the GOMB was authorized to issue Civic Center Bonds. Prior to this change, eligible civic center authorities, and later the Department of Commerce and Community Affairs, issued state-supported bonds to finance the development of community civic centers.

State of Illinois Civic Center Bonds are direct, limited obligations of the State payable from and secured by an irrevocable pledge and lien on moneys deposited in the Illinois Civic Center Bond Retirement and Interest Fund. The payment of debt service is subject to annual appropriation by the General Assembly. 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 bondholders may not require the levy or imposition of any taxes or the application of other State revenues or funds to the payment of the bonds.

METROPOLITAN PIER AND EXPOSITION AUTHORITY—DEDICATED STATE TAX REVENUE BONDS

Legislation effective in July 1984 dedicated a revenue stream from a variety of State sources to provide financing for the North Building expansion of the McCormick Place complex in Chicago and to redeem outstanding Exposition Building Revenue Bonds. These bonds are secured primarily by revenues from State sales and hotel taxes. The Dedicated State Tax Revenue Bonds are special obligations of the Metropolitan Pier and Exposition Authority ("MPEA"); neither the full faith and credit nor the taxing power of the State, other than the specific dedicated taxes, is pledged to the payment of the principal or interest on the bonds. Debt service on the bonds is subject to annual appropriation.

METROPOLITAN PIER AND EXPOSITION AUTHORITY—EXPANSION PROJECT BONDS

MPEA is authorized to issue McCormick Place Expansion Project Bonds. These bonds are secured by locally imposed taxes including hotel/motel, restaurant, car rental and airport departure taxes. Surplus from the Illinois Sports Facilities Authority hotel tax also is pledged as security for the bonds. If revenues from the taxes imposed by MPEA are insufficient to pay debt service on the Expansion Project Bonds, remaining State sales tax revenues, following required deposits to the Build Illinois Fund, are pledged to meet the deficiency. Legislation adopted in May, 2010, increased the airport departure taxes which secure these bonds, extended the allocation of sales tax revenues to meet the deficiency on these bonds to 2060 and provided additional financial support from the State for operations of MPEA.

ILLINOIS SPORTS FACILITIES AUTHORITY

The Illinois Sports Facilities Authority ("ISFA") was created in 1987, with authorization to finance construction of a professional sports stadium within the City of Chicago. Pursuant to legislation effective June 1, 2001, ISFA was authorized to finance reconstruction of a stadium for the Chicago Bears and related lakefront improvements in Chicago (the "Soldier Field Project"). Debt issued by ISFA is an obligation of ISFA and is not backed by the full faith and credit of the State. In 1989, ISFA issued $150 million of revenue bonds to finance construction of a new Comiskey Park stadium, now known as U.S. Cellular Field, and such bonds were refunded in 1999 from the issuance by ISFA of revenue bonds (the "1999 ISFA Bonds").

On October 12, 2001, ISFA issued $399 million of revenue bonds to finance the Soldier Field Project (the "2001 ISFA Bonds"). The 1999 ISFA Bonds and the 2001 ISFA Bonds are payable, subject to appropriation, from (i) a $10 million subsidy derived equally from State hotel tax revenues and amounts allocable to the City of Chicago under the State Revenue Sharing Act and (ii) an advance of State hotel tax revenues in the amount of $23.425 million in Fiscal Year 2003, increasing by 5.615% each fiscal year thereafter, which advance is required to be repaid annually by receipts derived from a two percent hotel tax imposed by ISFA within the City of Chicago. In the event the ISFA tax is insufficient to repay the advance of State hotel tax revenues, the deficiency will be paid from additional amounts allocable to the City of Chicago under the State Revenue Sharing Act. The State expects that all amounts advanced as described in clause (ii) above will be repaid to the State.

In October 2003 ISFA issued $42.535 million of additional revenue bonds (the "2003 ISFA Bonds") to finance a portion of certain renovations to U.S. Cellular Field. In 2008 ISFA issued $10 million of additional revenue bonds (the "2008 ISFA Bonds") to finance a portion of certain infrastructure improvements and renovations to U.S. Cellular Field. The 2003 ISFA Bonds and the 2008 ISFA Bonds are payable from the same revenue sources as the 1999 ISFA Bonds and the 2001 ISFA Bonds.

CERTIFICATES OF PARTICIPATION

Public Act 93-839 provides that the State shall not enter into any third-party vendor or other arrangements relating to the issuance of certificates of participation or other forms of financing relating to the rental or purchase of office or other space, buildings, or land unless otherwise authorized by law. Prior to the passage of Public Act 93-839, the State has issued two series of certificates of participation for the acquisition of real property, $21.0 million in October 1995 and $17.7 million in May 1996. The proceeds of these certificates were used to finance the construction of correctional facilities. The certificates are payable from lease or installment purchase payments which are subject to annual appropriation and are not a full faith and credit obligation of the State.

OTHER OBLIGATIONS

The State has other long-term obligations in the form of lease-purchase payments. Third party vendors have issued certificates of participation to finance renovations and buildings which are leased to State agencies.

The State has additional contingent liabilities in the form of Moral Obligation Bonds which provide for presentation of an appropriation request to the General Assembly for debt service deficiencies – see "MORAL OBLIGATION BONDS", and a statutory Continuing Appropriation of General Funds for lump-sum payments in excess of available loan loss reserves for certain guaranteed loan programs – see "AGRICULTURAL LOAN GUARANTEE PROGRAM".

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Table 18

MATURITY SCHEDULE -- REVENUE BONDS

(As of July 1, 2010)

Fiscal Year Ending June 30	Build Illinois	MPEA D.S.T.R.B.	MPEA Expansion Project	Civic Center Program	Sports Facilities Authority	Illinois Certificates of Participation	Total Principal	Total Interest	Total Debt Service
2011	164,834,169	25,595,000	63,289,090	9,085,000	2,786,432	2,055,000	267,644,692	254,047,097	521,691,789
2012	164,143,399	26,735,000	38,426,743	9,555,000	3,787,861	2,170,000	244,818,003	277,608,904	522,426,907
2013	167,492,124	28,145,000	36,491,366	10,095,000	4,742,354	2,305,000	249,270,844	276,380,893	525,651,737
2014	175,019,306	29,600,000	35,991,812	10,705,000	5,649,695	2,440,000	259,405,813	268,174,732	527,580,545
2015	173,026,038	4,850,000	36,234,751	11,415,000	6,517,832	2,590,000	234,633,621	267,130,204	501,763,825
2016	174,080,000		45,846,956	12,020,000	7,363,337	2,750,000	242,060,293	250,628,833	492,689,126
2017	159,060,000	-	50,075,228	5,488,409	8,151,095	2,915,000	225,689,733	256,136,105	481,825,838
2018	144,300,000		50,037,243	5,668,835	6,355,418	3,140,000	209,501,496	263,050,065	472,551,561
2019	131,310,000	-	57,165,083	5,875,462	6,569,442		200,919,987	261,448,480	462,368,466
2020	115,265,000	-	65,259,453	6,103,026	6,977,726	-	193,605,206	260,518,996	454,124,201
2021	84,405,000	-	104,202,400	5,405,000	7,374,846	-	201,387,246	222,864,760	424,252,006
2022	94,865,000	-	81,118,012	-	7,767,537	-	183,750,549	258,075,601	441,826,150
2023	82,540,000		140,272,495		8,156,172		230,968,667	211,846,306	442,814,972
2024	75,280,000	-	80,281,436	-	8,543,953	-	164,105,388	270,517,796	434,623,185
2025	74,085,000	-	85,297,449	-	8,891,669	-	168,274,118	264,802,405	433,076,523
2026	72,160,000	-	149,351,189	-	14,950,731	-	236,461,920	194,619,866	431,081,786
2027	63,345,000	-	180,115,836	-	31,842,372	-	275,303,208	147,282,930	422,586,138
2028	57,240,000		162,087,687		36,240,797		255,568,485	161,733,677	417,302,162
2029	36,205,000	-	169,405,321	-	41,040,210	-	246,650,531	151,112,207	397,762,738
2030	33,080,000	-	10,277,690	-	52,405,825	-	95,763,515	296,901,660	392,665,175
2031	28,080,000	-	9,145,954	-	75,355,000	-	112,580,954	278,638,921	391,219,875
2032	22,080,000	-	8,140,997	-	84,295,000	-	114,515,997	274,449,203	388,965,200
2033	22,080,000		7,243,844				29,323,844	270,004,681	299,328,525
2034	22,080,000	-	6,447,732	-	-	-	28,527,732	269,673,868	298,201,600
2035		-	5,737,216	-	-	-	5,737,216	269,257,459	274,994,675
2036	-	-	5,107,150	-	-	-	5,107,150	269,887,525	274,994,675
2037	-	-	4,545,622	-	-	-	4,545,622	270,449,053	274,994,675
2038			4,043,951				4,043,951	270,950,724	274,994,675
2039	-	-	3,600,523	-	-	-	3,600,523	271,394,152	274,994,675
2040	-	-	3,202,467	-	-	-	3,202,467	271,792,208	274,994,675
2041	-	-	66,137,223	-	-	-	66,137,223	208,857,452	274,994,675
2042	-	-	265,360,000	-	-	-	265,360,000	9,638,738	274,998,738
Total	2,336,055,036	114,925,000	2,029,939,917	91,415,732	435,765,305	20,365,000	5,028,465,990	7,749,875,501	12,778,341,491

Note: Columns may not add due to rounding.

Total Interest in 2031 and thereafter is largely comprised of interest on capital appreciation bonds issued by MPEA.

MORAL OBLIGATION BONDS

Currently, eight entities in the State may issue moral obligation bonds. The moral obligation pledge generally provides that in the event the authority issuing moral obligation bonds determines that revenue available to the authority will be insufficient for the payment of principal and interest on such bonds during the next State fiscal period, the authority shall certify to the Governor the amount required to pay such principal and interest and any amounts withdrawn from bond reserve funds to pay principal and interest on moral obligation bonds. The Governor shall then submit the amounts so certified to the General Assembly. The Governor's recommendations for these and all other State appropriations are a matter of executive discretion. Thus, the moral obligation pledge does not constitute a legally enforceable obligation of the Governor to recommend a State appropriation. Moreover, the General Assembly is not statutorily required to make an appropriation for the amount so certified by the authority, nor must the Governor sign any such appropriation bill if passed by the General Assembly.

Debt evidenced by moral obligation bonds is not debt of the State, and is not secured by any State funds.

TABLE 19
MORAL OBLIGATION BOND AUTHORITIES' DEBT[1]
ESTIMATED AS OF DECEMBER 31, 2009
($ IN MILLIONS)

Issuing Authority	**Moral Obligation Bonds Outstanding**
Illinois Housing Development Authority	$ 0.1
Southwestern Illinois Development Authority	36.1
Quad Cities Regional Economic Development Authority	0.0
Upper Illinois River Valley Development Authority	21.5
Tri-County River Valley Development Authority	0.0
Will-Kankakee Regional Development Authority	0.0
Western Illinois Economic Development Authority	0.0
Illinois Finance Authority[2]	301.7
Total	**$359.3**

[1] The amounts listed include only those bonds containing a moral obligation pledge.

[2] The Illinois Rural Bond Bank, Illinois Research Park Authority and the Illinois Development Finance Authority were consolidated into the Illinois Finance Authority (the "IFA"), which was created on January 1, 2004. Amount reflects outstanding Moral Obligations issued by the IFA and predecessor authorities.

From time to time, the State has received notices from certain entities which have issued Moral Obligation Bonds that insufficient monies are available for the payment of principal and interest on one or more series of Moral Obligation Bonds or that amounts withdrawn from bond reserve funds to pay principal and interest on Moral Obligation Bonds have not been replenished.

The State does not have a legal obligation to pay any such amounts and cannot predict whether appropriations for such amounts will be enacted. No assurance can be given that future requests for State appropriation will not be received by the State or that such requests will not be for material amounts. Further, no assurance can be given that an appropriation would be enacted with respect to such future request.

AGRICULTURAL LOAN GUARANTEE PROGRAM

The Illinois Finance Authority (the "IFA", as successor to the Illinois Farm Development Authority), is authorized at 20 ILCS 3501 Article 830 *et seq.*, (the "Loan Program"), to issue up to $235 million in guarantees for loans by financial institutions ("Secured Lenders") to agriculture and agribusiness borrowers. Under the Program, Secured Lenders may receive a lump-sum payment up to a maximum of 85% of a remaining loan balance in the event of a default. The IFA currently maintains two reserve funds, (i) The Illinois Agricultural Loan Fund, and (ii) The Illinois Farmer & Agribusiness Loan Guarantee Fund (collectively, the "Reserve Funds"), from which default lump-sum payments may be made. As of October 31, 2008, the available balances in the Reserve Funds held by the IFA were $10.7 million and $7.7 million, respectively.

These Reserve Funds are further backed by a "continuing appropriation" of the State's General Funds as a full faith and credit general obligation of the State. As of October 31, 2008, the IFA Loan Programs secure: (i) $25.5 million in Illinois Agricultural Loans and (ii) $58.7 million in Illinois Farmer & Agribusiness Loans. In total, 85 percent of these two Loan Programs or $70.3 million is guaranteed by the State. To date, there has not been a required transfer from the State's General Funds for default lump-sum payments under the Loan Program.

Loans made pursuant to the Loan Program may be secured for up to five years, are subject to annual renewal by the IFA, and may be discontinued prior to maturity if a Secured Lender fails to properly monitor the borrower or the loan collateral. Secured Lenders under the Loan Program covenant to timely pursue collateral recovery upon receiving a lump-sum "default" payment, and must bear the first 15% of losses realized after collateral recovery.

In November 2006, the IFA extended a $15 million State guarantee to a $24.5 million loan by Fifth Third Bank (the "Secured Lender") to Bio-fuels Company of America (the "Borrower"), to construct, own and operate a 45 million gallon per year bio-diesel fuel plant located in Danville, Illinois. The Borrower has entered a guaranteed supply agreement and 20% equity partnership with Bunge North America, to provide soy bean oil, a principal commodity required for production of bio-diesel fuel.

ILLINOIS STUDENT ASSISTANCE COMMISSION STATE GUARANTEE

Pursuant to authority granted under the provisions of Section 152 of the Higher Education Student Assistance Act, approved and effective May 7, 2009 (the "Guarantee Legislation"), the Illinois Student Assistance Commission ("ISAC") has designated its Student Loan Revenue Bonds, Series 2009 (State Guaranteed) as guaranteed by the State (the "Guaranteed Bonds"). The Guaranteed Bonds were issued in late May, 2009 in the aggregate principal amount of $50,000,000. The State's guarantee constitutes a general obligation of the State and the full faith, credit and resources of the State are irrevocably pledged to the punctual payment of the principal of and interest on the Guaranteed Bonds as the same becomes due, whether at maturity or upon redemption. The guarantee of the State is limited to bonds so designated by ISAC in an aggregate principal amount of not greater than $50,000,000.

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PENSION SYSTEMS

The State has five Retirement Systems which provide benefits upon retirement, death or disability to employees and beneficiaries. The five Retirement Systems (collectively, the "Retirement Systems") are:

1. Teachers' Retirement System of the State of Illinois (the "TRS")
2. State Universities Retirement System (the "SURS")
3. State Employees' Retirement System of Illinois (the "SERS")
4. Judges Retirement System of Illinois (the "JRS")
5. General Assembly Retirement System (the "GARS")

Pursuant to the Illinois Pension Code, as amended (the "Pension Code"), the State and active employee members of the systems are responsible for funding employer contributions of the Retirement Systems. The Illinois Constitution guarantees that members' retirement benefits, once granted, cannot be diminished or impaired.

Members of each Retirement System, as a condition of participation, contribute a portion of their annual salary. The member's contribution rate ranges from 4 to 12.5 percent depending on the fund to which contributions are deposited and whether or not the member participates in the federal Social Security program. Benefits paid to retired members, generally are based on a fixed benefit plan. Under this type of plan, benefits are generally computed as a percentage of final average salary multiplied by the number of years of service the employee has worked at the time of retirement.

Actuarial services are retained by each Retirement System to report on its aggregate membership, fair market value of assets, the actuarially determined aggregate liability for benefits, and its Unfunded Accrued Actuarial Liability (or "UAAL"). The most recently available Actuary Reports as of fiscal year ending June 30, 2009 are summarized for all Retirement Systems:

- Total membership of 722,913 consisting of 315,767 active members, 207,154 inactive members entitled to benefits and 199,992 retired members and beneficiaries.

- Approximately $64.0 billion of assets at actuarial value, approximately $126.4 billion in actuarially determined accrued liability, and a UAAL of approximately $62.4 billion, or a funded ratio of 50.6%.

The following chart sets forth the number of participants, assets, liabilities and UAAL for each individual Retirement System as of June 30, 2009:

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TABLE 20
RETIREMENT SYSTEMS' PENSION FUND STATISTICS

Participants (As of June 30, 2009) **$ in thousands (As of June 30, 2009)**

Retirement System	Active Members	Inactive / Entitled to Benefits	Retirees and Beneficiaries	Total	Assets[1]	Liabilities[2]	UAAL
TRS	165,474	108,416	94,419	368,309	$38,026,043.5	$73,027,198.0	$35,001,154.5
SURS	83,545	77,780	46,810	208,135	14,281,998.1	26,316,231.0	12,034,232.9
SERS	65,599	20,857	57,381	143,837	10,999,953.5	25,298,346.1	14,298,392.6
JRS	968	23	982	1,973	616,849.1	1,548,509.5	931,660.4
GARS	181	78	400	659	71,573.9	245,226.3	173,652.4
Total	**315,767**	**207,154**	**199,992**	**722,913**	**$63,996,418.1**	**$126,435,510.9**	**$62,439,092.8**

[1] Pursuant to P.A. 96-43, assets are measured using a 5 year smoothing approach.
[2] Actuarially determined accrued cost of projected benefits.
Note: Numbers may not add due to rounding.

STATE LAW REQUIREMENTS FOR RETIREMENT SYSTEMS FUNDING

State law regulates the State's funding of the Retirement Systems. Public Act 88-593, created a 50-year funding schedule for the Retirement Systems which requires the State to contribute each year, starting with Fiscal Year 2011, the level percentage of payroll sufficient to cause the assets of the Retirement Systems to equal 90 percent of the total accrued liabilities by the end of Fiscal Year 2045. In Fiscal Years 1997 through 2010, contributions as a percentage of payroll are increased each year such that by Fiscal Year 2010, the contribution rate is at the same level as required for years 2011 through 2045. The legislation also provided for continuing appropriations to the Retirement Systems beginning in Fiscal Year 1996. This provision requires the State to provide contributions to the Retirement Systems without being subject to the annual appropriation process. Except as provided for Fiscal Years 2006 and 2007 in connection to certain pension benefit reform measures pursuant to Public Act 94-4 (described below), in the event that the General Assembly fails to appropriate the amounts certified by the Retirement Systems, Public Act 88-593 provides for payments to be transferred by the Comptroller and the Treasurer to the Retirement Systems, in amounts sufficient to meet their requirements.

ISSUANCE OF PENSION BONDS AND ALLOCATION OF PROCEEDS

On June 12, 2003, the State issued the 2003 Pension Bonds. See "INDEBTEDNESS – GENERAL OBLIGATION BONDS." The net proceeds of the 2003 Pension Bonds were used to (i) reimburse the State's General Revenue Fund for a portion of the contributions made to the Retirement Systems for the last quarter of the State's Fiscal Year 2003, or a total of $300 million, (ii) reimburse the State's General Revenue Fund for the State's contributions to the Retirement Systems for the State's Fiscal Year 2004, up to a total of $1.86 billion, and (iii) fund a portion of the UAAL for the net balance of the proceeds after capitalized interest and issuance costs, or $7.3 billion. The net proceeds of the 2003 Pension Bonds were not sufficient to fully fund the UAAL.

The net General Funds portion of the Fiscal Year 2010 pension contribution is approximately $3.575 billion. Public Act 96-43 further provided that the actuarial valuation of the retirement system funding levels of the determined five year asset smoothing calculation is applicable to the June 30, 2009 actuarial valuation. Under this convention, investment gains and losses are amortized on a straight line basis over five years.

On January 7, 2010 the State issued $3.466 billion of Pension Obligation Bonds. The net proceeds of the 2010 Pension Bonds were issued to fund or reimburse a portion of the State's obligation to make contributions to the Retirement Systems and to pay costs of financing, including, but not limited to the cost of issuance of the 2010 Pension Bonds, as authorized by section 7.2 of the Bond Act. The 2010 Pension Bonds will mature in equal principal installments of $693.2 million from 2011 to 2015.

Upon final approval by the General Assembly, the State intends to issue $3.8 billion of Pension Obligation Bonds by September 30, 2010. The net proceeds of these bonds will be issued to fund a portion of the State's obligation to make contributions to the Retirement Systems and to pay costs of financing, including, but not limited to the costs of issuance of the additional pension bonds. It is anticipated that the additional pension bonds will mature in equal principal installments of $380,000,000 from 2011 to 2019.

FUTURE STATE CONTRIBUTIONS TO RETIREMENT SYSTEMS

Following the receipt of proceeds of the 2003 Pension Bonds, pursuant to the Pension Code, the State's contributions to the Retirement Systems from the General Revenue Fund for Fiscal Year 2005 and thereafter, except as provided expressly in connection with the Pension Act for Fiscal Years 2006 and 2007, have been and will continue to be decreased by the debt service payments for such fiscal year on the then outstanding 2003 Pension Bonds to reflect the proceeds already received. Contributions for each fiscal year with respect to each Retirement System will not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under the provisions of the Pension Code if such Retirement System had not received its allocation of net proceeds of 2003 Pension Bonds (other than amounts transferred to the General Revenue Fund in reimbursement of payments made in Fiscal Years 2003 and 2004 (the "2003 Reimbursement Amounts")) as described in the preceding paragraph, minus (ii) that portion of the State's total debt service payments for that fiscal year on the 2003 Pension Bonds that is the same as such Retirement System's portion of the total net proceeds transferred to the Retirement Systems as a whole (other than the 2003 Reimbursement Amounts).

The State, through its legislation, may modify from time to time its computation methodology for purposes of calculating net UAAL.

PUBLIC ACT 94-4

Public Act 94-4, effective June 1, 2005 (the "Pension Act"), made certain changes to plan benefit provisions which are expected to reduce future funding requirements. Certain provisions of the Pension Act are summarized below:

- New benefit increases are prohibited unless there is a specifically identified adequate additional funding source upon adoption of the benefit, and that all such benefit increases will expire five years after their effective date, unless extended by an act of the General Assembly.

- The Money Purchase Option is discontinued for TRS and SURS for participants employed after July 1, 2005. The Option provides that a member is entitled to an annuity computed under the defined benefit formula or the Money Purchase Option, whichever is greater. Employee contributions are matched at 140% and converted to an actuarially equivalent annuity. Under the Pension Act, the Illinois Comptroller assumes the role of setting each one-year Money Purchase Rate for grandfathered participants (those employed prior to July 1, 2005). Taking into account historical and projected future SURS assets performance, and giving effect to certain constitutional provisions, the Comptroller set the 2008 Money Purchase Option rate to 8.5%, a upward revision from 8.0% for 2007.

- Local employers must fund the additional cost of pension benefits attributable to pay increases during the final four years of employment that exceed 6%.
- The Early Retirement Option (ERO) for TRS, which replaces the ERO that expired June 30, 2005, increases the required member and school district contributions and increases the service requirement for unreduced benefits from 34 to 35 years. TRS members who have notified their employer by June 1, 2005 of their intent to retire by July 1, 2007 remain eligible to retire under the prior ERO.
- Local employers are required to pay the normal cost related to sick leave granted in excess of the normal allotment.
- Payments into the Retirement Systems for Fiscal Year 2006 and 2007 are set to $1,431.7 million and $1,868.9 million respectively, which include debt service of approximately $496 million each year required for the 2003 Pension Bonds. Contributions for normal and unfunded pension costs resume under the 50-year funding schedule pursuant to Public Act 88-593 in Fiscal Year 2008, adjusted for debt service on the 2003 Pension Bonds as described further herein.

RECENT PENSION REFORM LEGISLATION

Pension Modernization Task Force. House Joint Resolution Number 65 of the 96th General Assembly created the Pension Modernization Task Force. The Task Force includes members of the General Assembly, organized labor, the business community, and retirees. The Task Force met between June 18, 2009 and November 9, 2009 and submitted a report on the Illinois Pension System and proposed reforms to the Governor and General Assembly in November 2009. The Final Report of the Illinois Pension Modernization Task Force is available at http://www.illinois.gov/gov/pensionreform.

Public Act 96-0889. On March 24, 2010, the General Assembly passed Public Act 96-0889. Public Act 96-0889 provides for significant reforms to the State's public employee pension system, most notably establishing a "two-tier" benefit system with less generous benefits for most future employees as compared to those provided to current State employees. Among other reforms, Public Act 96-0889:

- Changes the minimum age at which benefits may commence so that maximum benefits are received to 67, versus younger ages that are based on the sum of age and years of service formulas under current law;
- Reduces to 3% the percentage of salary on which the retirement annuity is calculated, so that the maximum retirement annuity is 60% of the participant's highest salary for annuity purposes;
- Eliminates the compounding of annual benefits, and instead uses a lower non-compounding cost of living increase factor;
- Calculates benefits based on the highest continuous eight years of compensation in the employee's last 10 years of employment;
- Caps salary on which pension may be calculated at $106,800 (subject to certain adjustments for inflation); and
- Suspends retirement annuities if the annuitant receives another State job covered by the pension systems.

While the estimated amount of the reduction to the State's current and future pension liability that will result upon enactment of Public Act 96-0889 is still being calculated, the State expects the savings to be significant.

Other Pension Reform Legislation. Other pension reform legislation may also be considered by the General Assembly during the current legislative session or a future legislative session but there is no assurance whether, or in what form, any such legislation will be enacted into law.

FUNDING FOR RETIREMENT SYSTEMS

One measure of the fiscal condition of retirement systems, the degree of funding or the funding ratio, is the ratio of net assets to total liabilities. Table 21 summarizes the degree of funding for the Retirement Systems from Fiscal Year 2004 through Fiscal Year 2009.

TABLE 21
PENSION SYSTEMS DEGREE OF FUNDING
FISCAL YEARS ENDING JUNE 30, 2004-2009
($ IN MILLIONS)

Fiscal Year	Total Assets[1, 3]	Liabilities[2]	Ratio (%)
2004	$54,738.9	$89,832.4	60.9%
2005	58,577.8	97,178.1	60.3%
2006	62,341.4	103,073.5	60.5%
2007	70,731.2	112,908.6	62.6%
2008	64,700.5	119,084.4	54.3%
2009[3]	63,996.4	126,435.5	50.6%

[1] Net assets are reported at fair market value per Governmental Accounting Standards Board Statement 25 for 2004 through 2008.

[2] Actuarially determined accrued cost of projected benefits.

[3] FY2009 Total Assets are valued on a 5 year smoothing basis pursuant to P.A. 96-43. For comparative purposes, the fair value of assets was $48,669.1 million or a fair value funded ratio of 38.5%.

In Fiscal Year 2004, in addition to its then current obligations to the Retirement Systems for Fiscal Year 2004 in the amount of $1.86 billion, the State appropriated approximately $7.3 billion to the Retirement Systems from the proceeds of the 2003 Pension Bonds previously discussed.

Table 21 reflects the fair market value of the total assets of the Retirement Systems for Fiscal Years 2004 through 2008 and the 5 year smoothed calculation for Fiscal Year 2009, as well as the actuarially determined accrued cost of projected benefits of the Retirement Systems for the fiscal years of the State contained therein. The UAAL has increased from time to time as a result of State legislation increasing benefits to participants in the Retirement Systems without funding (now prohibited under the Pension Act), and increased or decreased based on performance of investments held within each such Retirement System. Notwithstanding the foregoing, no assurance can be given that the Retirement Systems' actuarial assumptions underlying the calculations of total liabilities of the Retirement Systems or underlying the calculations of the total assets of the Retirement Systems due to a reduced reinvestment rate on the Retirement Systems' investment portfolio could not be modified in a material manner from time to time in the future. Such modification could result in a significant increase (or decrease) in the UAAL of the Retirement Systems and, therefore, a significant increase (or decrease) in the obligations of the State. In addition, the UAAL may be affected by certain other factors, including, without limitation, inflation, changes in the Pension Code, and changes in benefits provided or in the contribution rates of the State.

FINANCIAL DATA FOR RETIREMENT SYSTEMS

The tables that follow provide information on the assets, liabilities, income and expenses for each Retirement System for Fiscal Years 2005 - 2009. The data were obtained from the CAFRs for Fiscal Years 2005-2008 and the actuarial reports for Fiscal Year 2009.

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TABLE 22
STATE RETIREMENT SYSTEMS
FISCAL YEAR 2009
($ IN THOUSANDS)

	SERS	TRS	SURS	GARS	JRS	Total	Self Managed Plan State Universities[1]
Begin, Net Assets[2]	$10,995,366.5	$38,430,723.0	$14,586,325.5	$75,405.9	$612,680.6	$64,700,501.5	$616,385.0
Income							
Member contributions	242,227.4	876,182.1	273,292.1	1,697.6	15,763.4	1,409,162.7	48,825.4
State contributions	774,910.3	1,451,591.7	451,617.1	8,856.4	59,983.0	2,746,958.6	38,264.3
Investment income	-2,121,010.6	-8,688,285.5	-2,817,936.6	-19,956.5	-166,614.7	-13,813,803.9	-116,422.8
Other							
Expenditures							
Benefits and Refunds	1,315,073.2	3,707,423.1	1,414,642.0	16,205.5	86,834.4	6,540,178.2	13,456.7
Administration	10,681.4	17,387.9	12,922.1			40,991.4	
Other							
Ending Net Asset Balance[3]	10,999,953.5	38,026,043.5	14,281,998.1	71,573.9	616,849.1	63,996,418.1	N/A
Actuarial Liabilities[4]	25,298,346.1	73,027,198.0	26,316,231.0	245,226.3	1,548,509.5	126,435,510.9	N/A
Unfunded Accrued Liability	14,298,392.6	35,001,154.5	12,034,232.9	173,652.4	931,660.4	62,439,092.8	N/A
Asset/Liability Ratio	43.5%	52.1%	54.3%	29.2%	39.8%	50.6%	N/A

1 The SURS Self Managed Plan (SMP) is not included in the totals. The SMP is a defined contribution plan and, by definition, is fully funded and does not carry unfunded liability.

2 Reflects valuation of assets on a market basis as of June 30, 2008, per GASB Statement 25.

3 Pursuant to P.A. 96-43, assets are measured using a 5 year smoothing approach. In prior Fiscal Years a fair value approach was utilized. For comparative purposes, the total fair value of net asset balances was $48,669,190.1, which would result in a 38.5% Asset/Liability Ratio.

4 Actuarially determined accrued benefit costs.

Administration Expenditures included in the Benefits and Refunds figure for GARS and JRS.

Note: Numbers may not add due to rounding.

TABLE 23
STATE RETIREMENT SYSTEMS
FISCAL YEAR 2008
($ IN THOUSANDS)

	SERS	TRS	SURS	GARS	JRS	Total	Self Managed Plan State Universities[1]
Begin, Net Assets[2]	12,078,909.0	41,909,318.0	15,985,730.2	87,182.2	670,091.0	70,731,230.4	584,020.4
Income							
Member contributions	249,955.2	865,400	264,149.4	1,772.9	15,443.1	1,396,720.6	45,951.9
State contributions	587,732.4	1,041,115	344,945.2	6,809.8	46,978.0	2,027,580.4	38,954.1
Investment income	(1,690,697.8)	(2,014,902)	(675,722.1)	(4,708.3)	(37,976.5)	(4,424,006.7)	(39,127.0)
Other							
Expenditures							
Benefits	519,136.8	3,423,982	1,275,713.7	15,258.6	80,512.6	5,314,603.8	3.459.0
Refunds	4,932.0	60,286	44,984.3	147.8	842.0	111,192.1	9,955.3
Administration	12,329.2	16,613	12,079.2	244.3	500.4	41,766.1	
Other							
Ending Net Asset Balance	10,995,366.5	38,430,723	14,586,325.5	75,405.9	612,680.6	64,700,501.5	616,385.0
Actuarial Liabilities[3]	23,841,280.1	68,632,367	24,917,678.0	235,780.1	1,457,336.1	119,084,441.2	N/A
Unfunded Accrued Liability	12,845,913.6	30,201,644	10,331,352.5	160,374.1	844,655.5	54,383,939.8	N/A
Asset/Liability Ratio	46.1%	56.0%	58.5%	32.0%	42.0%	54.3%	N/A

[1] The SURS Self Managed Plan (SMP) is not included in the totals. The SMP is a defined contribution plan and, by definition, is fully funded and does not carry unfunded liability.

[2] Reflects valuation of assets on a market basis as of June 30, 2007, per GASB Statement 25.

[3] Actuarially determined accrued benefit costs.

Note: Numbers may not add due to rounding.

TABLE 24
STATE RETIREMENT SYSTEMS
FISCAL YEAR 2007
($ IN THOUSANDS)

	SERS	TRS	SURS	GARS	JRS	Total	Self Managed Plan State Universities[1]
Begin, Net Assets[2]	10,899,853	36,584,899.4	14,175,147.2	82,254.8	599,234.1	62,341,378.5	350,180.6
Income							
Member contributions	224,772.6	826,249.0	262,350.8	1,703.3	14,153.0	1,329,178.7	33,308.8
State contributions	358,786.7	737,670.6	261,142.6	5,470.4	35,236.8	1,398,307.1	41,641.8
Investment income	1,779,907.1	6,831,324.4	2,517,496.0	12,991.0	98,157.7	11,239,876.2	80,335.0
Other		115,915.4					
Expenditures							
Benefits	1,161,291.0	3,111,752.7	1,177,348.0	14,719.3	75,615.9	5,540,726.9	3,226.6
Refunds	14,261.9	59,731.9	41,353.8	297.8	620.6	116,266.0	12,053.6
Administration	8,807.6	15,246.2	11,704.5	220.3	454.2	36,432.8	-
Other							
Ending Net Asset Balance	12,078,909.0	41,909,318.0	15,985,730.2	87,182.2	670,091.0	70,731,230.4	584,020.4
Actuarial Liabilities[3]	22,280,916.7	65,648,395.0	23,362,079.2	231,914.0	1,385,339.6	112,908,644.5	N/A
Unfunded Accrued Liability	10,202,007.7	23,739,077.0	7,376,349.0	144,731.8	715,248.6	42,177,414.1	N/A
Asset/Liability Ratio	54.2%	63.8%	68.4%	37.6%	48.4%	62.6%	N/A

1 The SURS Self Managed Plan (SMP) is not included in the totals. The SMP is a defined contribution plan and, by definition, is fully funded and does not carry unfunded liability.
2 Reflects valuation of assets on a market basis as of June 30, 2007, per GASB Statement 25.
3 Actuarially determined accrued benefit costs.
Note: Numbers may not add due to rounding.

TABLE 25
STATE RETIREMENT SYSTEMS
FISCAL YEAR 2006
($ IN THOUSANDS)

	SERS	TRS	SURS	GARS	JRS	Total	Self Managed Plan State Universities[1]
Begin, Net Assets[2]	10,494,147.9	34,085,218.5	13,350,277.6	83,273.2	564,999.4	58,577,916.6	350,180.7
Income							
Member contributions	214,108.8	799,034.3	180,018.0	1,491.8	13,833.1	1,208,486.0	29,366.2
State contributions	210,499.7	534,305.2	252,921.8	4,175.4	29,337.9	1,031,240.0	39,470.3
Investment income	1,113,231.7	3,993,289.8	1,532,095.6	7,873.0	61,329.7	6,707,819.8	34,714.7
Other		123,542.6					
Expenditures							
Benefits	1,110,585.9	2,877,230.5	1,085,383.7	14,065.8	68,997.1	5,156,263.0	1,181.6
Refunds	13,410.0	57,967.0	42,620.2	187.9	821.6	115,006.7	8,802.4
Administration	8,139.2	15,303.3	11,982.2	304.7	447.3	36,176.7	
Other			179.6			179.6	
Ending Net Asset Balance	10,899,853.0	36,584,889.4	14,175,147.2	82,254.8	599,234.1	62,341,378.5	350,180.6
Actuarial Liabilities[3]	20,874,541.9	58,996,913.0	21,688,900.0	221,713.3	1,291,394.8	103,073,463.0	N/A
Unfunded Accrued Liability	9,974,688.9	22,412,023.6	7,513,752.8	139,458.5	692,160.7	40,732,084.5	N/A
Asset/Liability Ratio	52.2%	62.0%	65.4%	37.1%	46.4%	60.5%	N/A

[1] The SURS Self Managed Plan (SMP) is not included in the totals. The SMP is a defined contribution plan and, by definition, is fully funded and does not carry unfunded liability.
[2] Reflects valuation of assets on a market basis as of June 30, 2006, per GASB Statement 25.
[3] Actuarially determined accrued benefit costs.
Note: Numbers may not add due to rounding.

TABLE 26
STATE RETIREMENT SYSTEMS
FISCAL YEAR 2005
($ IN THOUSANDS)

	SERS	TRS	SURS	GARS	JRS	Total	Self Managed Plan State Universities[1]
Begin, Net Assets[2]	9,990,186.9	31,544,729.3	12,586,304.7	83,208.0	534,579.8	54,739,008.7	275,074.9
Income							
Member contributions	209,334.2	761,790.0	251,939.6	1,451.3	13,268.5	1,237,783.6	33,645.8
State contributions	427,464.6	906,749.4	285,423.3	4,675.0	32,043.0	1,656,355.3	27,411.7
Investment income	953,579.2	3,330,039.2	1,279,618.1	7,642.5	50,849.0	5,621,728.0	22,346.7
Other		168,813.0				168,813.0	
Expenditures						-	
Benefits	1,063,970.4	2,553,102.9	1,004,452.2	13,363.3	64,539.6	4,699,428.4	917.5
Refunds	14,105.3	59,395.8	35,775.9	23.2	740.5	110,040.7	7,380.9
Administration	8,311.3	14,403.7	12,087.1	317.1	460.8	35,580.0	
Other			692.8			692.8	
Ending Net Asset Balance	10,494,147.9	34,085,218.5	13,350,277.6	83,273.2	564,999.4	58,577,916.6	350,180.7
Actuarial Liabilities[3]	19,304,646.6	56,075,029.0	20,349,000.0	212,905.7	1,236,512.1	97,178,093.4	N/A
Unfunded Accrued Liability	8,810,498.7	21,989,810.5	6,998,722.4	129,632.5	671,512.7	38,600,176.8	N/A
Asset/Liability Ratio	54.4%	60.8%	65.6%	39.1%	45.7%	60.3%	N/A

[1] The SURS Self Managed Plan (SMP) is not included in the totals. The SMP is a defined contribution plan and, by definition, is fully funded and does not carry unfunded liability.
[2] Reflects valuation of assets on a market basis as of June 30, 2005, per GASB Statement 25.
[3] Actuarially determined accrued benefit costs.
Note: Numbers may not add due to rounding.

OTHER POST EMPLOYMENT BENEFITS

As required by the Government Accounting Standards Board (GASB) in its Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", the State has determined that the accrued actuarial liability associated with Other Post Employment Benefits (OPEB) as reported in the 2009 CAFR was $27,124 million as of June 30, 2009. The valuation was conducted by an independent actuary based on census data, employer contributions, and payroll amounts provided by the State. Individuals covered include State and University employees, retirees and dependents. Illinois teachers are not included as they participate in a multiemployer cost sharing plan, which GASB excludes from Statement #45.

At the present time, the State is not prefunding its obligation. During Fiscal Year 2009 the State incurred an Annual Required Contribution of $1,840 million, while making an actual contribution of $604 million, resulting in a $1,236 million increase of the balance sheet liability to a total of $2,474 million as of June 30, 2009.

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, or the manner of payment thereof or the appropriation for the payment thereof.

The following describes certain pending lawsuits filed against the State of Illinois:

TAX PROTEST LITIGATION

In the case of Wirtz v. Quinn, et al., No. 09-CH-30136 (Ill. Cir. Ct., Cook County) and No. 09-3163 (Ill. Appellate Ct., First Dist.), petitioners have sought leave to file a taxpayer action that would raise both procedural and substantive constitutional challenges to the validity of Public Acts 96-34 (establishes as a special fund in the State Treasury the Capital Projects Fund and, through various measures, raises revenue for deposit into the Capital Projects Fund to be used, in part, to pay the debt service for recently authorized General Obligation Bonds), 96-35 (appropriates monies for various projects), 96-37 (makes changes to the Act and various other substantive provisions related to the State's capital plan) and 96-38 (makes changes with respect to certain revenue measures enacted in Public Act 96-34) (collectively, the "Public Acts"). The court dismissed the petition, but petitioners have appealed.

The cases of Wirtz Beverage Illinois, LLC v. Quinn, No. 09 L 51244, Wirtz Beverage Illinois Belleville, LLC v. Quinn, No. 09 L 51392, and Southern Wine & Spirits of Illinois, Inc. v. Quinn. No. 09 L 51401, were all filed in Cook County and are all predicated on the same allegations of unconstitutionality of the Public Acts described above. Each case involves the payment of additional liquor taxes under protest, and in each case there is in place a retraining order that prevents the transfer of the paid monies from the Protest Fund to the Capital Projects Fund.

With respect to the litigation described above, if plaintiffs are successful in persuading the court to invalidate Public Act 96-35, the State would, to the extent the proceeds of the Bonds are to be used to pay for projects appropriated in that Public Act, need to reappropriate those projects or apply the proceeds to other appropriated projects.

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, in connection with litigation related to the workers' compensation surcharge, 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 December 2009, approximately $22.5 million remained in escrow. In addition, the trial court has allowed certain insurance companies to make surcharge payments into the Protest Fund. As of December 2009, approximately $58 million in such payments have been deposited into the Protest Fund. The case remains pending.

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 a settlement agreement in June, 2009.

In May and June 2006, trade associations representing property and casualty insurance and real estate sales interests, respectively, and a motorcyclists' organization 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 June 2006, in the motorcyclist case, 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 appeal remains pending.

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.

The State anticipates that it will dispose, in whole or substantial part, of all the remaining matters pending in Cook and Sangamon Counties based upon the trial court rulings in the motorcyclist and property and casualty cases, as well as prior Illinois Appellate and Supreme Court rulings.

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. The appeal remains pending.

RATINGS

The State has received ratings from Moody's Investors Service, Inc. ("Moody's"), Fitch Ratings Inc. ("Fitch") and Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies ("S&P") (collectively, the "Rating Agencies") for its long term General Obligation Bonds (which include the Bonds). As of the date of this Official Statement, the Bonds are rated "A1" with a Stable Outlook by Moody's, "A" with a Negative Outlook by Fitch, and "A+" with a Credit Watch Negative by S&P. These ratings reflect the view of such organizations, and an explanation of the significance of such ratings may be obtained only from the respective Rating Agencies. As part of the State's application for the ratings, certain information and materials, some of which are not contained herein, have been supplied to the Rating Agencies. The ratings are neither a "market" rating nor a recommendation to buy, sell or hold the Bonds and the ratings and the Bonds should be evaluated independently.

The ratings assigned to the State's long term General Obligation Bonds by Moody's and Fitch reflect the new recalibrated rating scales of such Rating Agencies. Further information regarding the recalibration may be obtained directly from such Rating Agencies.

The State will provide appropriate periodic credit information necessary for maintaining ratings on the Bonds to the Rating Agencies. Except as may be required by the Undertaking as defined below under the heading "CONTINUING DISCLOSURE," the State undertakes no responsibility either to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal. If assigned, there is no assurance that any such ratings will be maintained for any given period of time or that they will not be lowered or withdrawn entirely. Any revision or withdrawal of any such ratings may have an adverse effect on the prices at which the Bonds may be resold.

TAX MATTERS

NOTICE PURSUANT TO IRS CIRCULAR 230

The discussion below is not intended or written by the State or Bond Counsel to be used, and cannot be used by any person, for the purpose of avoiding tax penalties that might be imposed under U.S. tax laws. This discussion 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.

GENERAL

Interest on the Bonds is included in the gross income of the owners thereof for federal income tax purposes. Owners of the Bonds should consult their own tax advisors with respect to the inclusion of interest on the Bonds in gross income for federal income tax purposes.

In February 2009, as part of the American Recovery and Reinvestment Act of 2009, Congress added provisions to the Code that permit state or local governments to obtain certain financial advantages when issuing certain taxable obligations, referred to as "Build America Bonds." Build America Bonds must satisfy certain requirements, including one that the interest on the Bonds would be, but for the issuer's election to treat the bonds as Build America Bonds, excludible from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). The State will make an irrevocable election to treat the Bonds as Build America Bonds that are "qualified bonds" within the meaning of Section 54AA(g) of the Code. As a result of this election, interest on the Bonds is not excluded from the gross income of the owners thereof for federal income tax purposes and the owners of the Bonds will not be entitled to any tax credits as a result of either the ownership of the Bonds or receipt of any interest payments on the Bonds.

The Code contains a number of provisions relating to the taxation of securities such as the Bonds (including but not limited to the tax treatment of and accounting for interest, premium, original issue discount and market discount thereon, gain from the sale, exchange or other disposition thereof and withholding and backup withholding tax on income therefrom) that may affect the taxation of certain owners, depending on their particular tax situations. Owners of the Bonds should consult their own tax advisors as to the particular federal income tax consequences of their ownership of the Bonds.

Interest on the Bonds is not exempt from present State of Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Prospective purchasers of the Bonds should consult their own tax advisors regarding the application of any such state and local taxes.

The discussion of tax matters in this Official Statement applies only in the case of purchasers of the Bonds at original issuance and at the respective prices indicated on the inside cover page hereof. It does not address any other tax consequences such as, among others, the consequences of the existence of any market discount to subsequent purchasers of the 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 Bonds. It deals only with 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 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 Bonds should consult their own tax advisors concerning the consequences, in their particular circumstances of ownership of the Bonds, under the Code and the laws of any other taxing jurisdiction.

The following summary also does not address the tax treatment of Bonds acquired by partnerships (or other entities that are treated as partnerships for United States federal income tax purposes). Federal income tax and withholding tax treatment of income and gain recognized by a partnership generally depends, in substantial part, on the characteristics and tax circumstances of the partners in the partnership. Prospective Bond purchasers that are partnerships should consult their own tax advisors regarding these matters.

UNITED STATES HOLDERS

Payments of Interest

Interest on the Bonds will be taxable to a United States Holder (as defined below) 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.

A United States Holder for purposes of this discussion is a beneficial owner of a Bond for U.S. federal income tax law purposes and:

- a citizen or resident of the United States;
- a corporation which is created or organized in or under the laws of the United States or of any political subdivision thereof;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if (1) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust or (2) the trust was in existence on August 10, 1996 and properly elected to continue to be treated as a U.S. person.

The term "Non-U.S. Holder" refers to any beneficial owner of a Bond who or which is not a United States Holder or a partnership or other entity that is treated as a partnership for United States federal income tax purposes.

SALE AND RETIREMENT OF THE BONDS

United States Holders of the Bonds will recognize gain or loss on the sale, redemption, retirement or other disposition of such Bonds. The gain or loss is measured by the difference between the amount realized on the disposition of the Bond and the United States Holder's adjusted tax basis in the Bond. Such gain or loss will be capital gain or loss and will be long term capital gain or loss if at the time of disposition such Bond has been held for more than one year.

UNITED STATES FEDERAL INCOME TAX CONSEQUENCES FOR NON-U.S. HOLDERS

Withholding Tax on Payments of Principal of and Interest on Bonds. For Non-U.S. Holders, payments of principal of and interest on a Bond will generally not be subject to U.S. federal withholding tax, *provided* that in the case of an interest payment:

- the owner is not a bank to whom the Bonds would constitute an extension of credit made pursuant to a loan agreement entered into in the ordinary course of the owner's trade or business; and

- either (A) the owner certifies to the applicable payor or its agent, under penalties of perjury on an IRS Form W-8BEN (or a suitable substitute form), that such owner is not a United States person and provides the owner’s name and address or (B) a securities clearing organization, bank or other financial institution, that holds customers’ securities in the ordinary course of its trade or business (a “financial institution”) and holds the Bond, certifies under penalties of perjury that such an IRS Form W-8BEN (or suitable substitute form) has been received by it from the owner or by a financial institution between it and the owner and furnishes the payor with a copy thereof.

Except to the extent otherwise provided under an applicable tax treaty, an owner generally will be taxed in the same manner as a United States Holder with respect to interest payments on a Bond if such interest is effectively connected with the conduct of a trade or business in the United States. Effectively connected interest received by a corporate Non-U.S. Holder may also, under certain circumstances, be subject to an additional “branch profits tax” at a 30% rate (or, if applicable, a lower treaty rate), subject to certain adjustments. Such effectively connected interest will not be subject to withholding tax if the holder delivers an IRS Form W-8ECI to the payor.

Gain on Disposition of the Bonds. An owner generally will not be subject to U.S. federal income tax on gain realized on the sale, exchange or redemption of a Bond unless:

- such owner is an individual present in the United States for 183 days or more in the year of such sale, exchange or redemption and either (A) has a “tax home” in the United States and certain other requirements are met, or (B) the gain from the disposition is attributable to an office or other fixed place of business in the United States; or

- the gain is effectively connected with the conduct of a trade or business in the United States.

U.S. Federal Estate Tax. A Bond held by an individual who at the time of death is not a citizen or resident of the United States (as specially defined for U.S. federal estate tax purposes) will not be subject to United States federal estate tax if at the time of the individual’s death, payments with respect to such Bond would not have been effectively connected with the conduct by such individual of a trade or business in the United States. The United States federal estate tax was repealed effective January 1, 2010. In addition, the legislation repealing the estate tax expires in 2011, and thus the estate tax will be reinstated at that time.

BACKUP WITHHOLDING AND INFORMATION REPORTING

United States Holders. Information reporting will apply to payments of interest made by the State, and to the proceeds of the sale or other disposition of the Bond with respect to certain non-corporate United States 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 owner's U.S. federal income tax liability provided the required information is furnished to the IRS.

Non-U.S. Holders. Backup withholding and information reporting on Form 1099 will not apply to payments of principal and interest on the Bonds by the State or its agent to a Non-U.S. Holder provided the Non-U.S. Holder provides the certification described above under "UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS - *Withholding Tax on Payments of Principal of and Interest on Bonds*" or otherwise establishes an exemption (provided that neither the State nor its agent has actual knowledge that the owner is a United States person or that the conditions of any other exemptions are not in fact satisfied). Interest payments made to a Non-U.S. Holder may, however, be reported to the IRS and to such Non U.S. Holder on Form 1042-S.

Information reporting and backup withholding generally will not apply to a payment of the proceeds of a sale of the Bonds effected outside the United States by a foreign office of a foreign broker. However, information reporting requirements (but not backup withholding) will apply to a payment of the proceeds of a sale of the Bonds effected outside the United States by a foreign office of a broker if the broker (i) is a United States person, (ii) derives 50 percent or more of its gross income for certain periods from the conduct of a trade or business in the United States, (iii) is a "controlled foreign corporation" as to the United States, or (iv) is a foreign partnership that, at any time during its taxable year is 50 percent or more (by income or capital interest) owned by United States persons or is engaged in the conduct of a U.S. trade or business, unless in any such case the broker has documentary evidence in its records that the owner is a Non-U.S. Holder (and has no actual knowledge to the contrary) and certain conditions are met, or the owner otherwise establishes an exemption. Payment by a United States office of a broker of the proceeds of a sale of the Bonds will be subject to both backup withholding and information reporting unless the holder certifies its non-United States status under penalties of perjury or otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against that Non-U.S. Holder's U.S. federal income tax liability provided the required information is furnished to the IRS.

FOREIGN ACCOUNT COMPLIANCE

Congress recently enacted legislation that significantly changes the reporting requirements imposed on certain non-U.S. persons, including certain foreign financial institutions and investment funds. In general, a 30% withholding tax could be imposed on payments made to any such non-U.S. person unless such non-U.S. person complies with certain reporting requirements regarding its direct and indirect U.S. shareholders and/or U.S. accountholders. Such withholding could apply to payments regardless of whether they are made to such non-U.S. person in its capacity as a holder of a note or in a capacity of holding a note for the account of another. These rules generally would apply to payments made after December 31, 2012, but would exempt from withholding payment on, or proceeds in respect of, debt instruments outstanding on the date two years after the date of enactment (March 18, 2010). The scope and application of this legislation are unclear because regulations interpreting the legislation have not yet been promulgated. As a result, potential investors are encouraged to consult with their tax advisors regarding the possible implications of this legislation on an investment in the Bonds.

CERTAIN CONSIDERATIONS FOR ERISA AND OTHER U.S. EMPLOYEE BENEFIT PLANS

Subject to the following discussion, the Bonds may be acquired with assets of pension, profit-sharing or other employee benefit plans, as well as individual retirement accounts, Keogh plans and other plans and retirement arrangements, and any entity deemed to hold “plan assets” of the foregoing (each, a “Plan”). Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and Section 4975 of the Code, prohibit a Plan subject to those provisions (each, a “Benefit Plan Investor”) from engaging in certain transactions with persons that are “parties in interest” under ERISA or “disqualified persons” under the Code with respect to such Benefit Plan Investor. A violation of these “prohibited transaction” rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons or the fiduciaries of such Benefit Plan Investor. In addition, Title I of ERISA requires fiduciaries of a Benefit Plan Investor subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents. Plans that are U.S. governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA) are not subject to the fiduciary and prohibited transaction provisions of ERISA or Section 4975 of the Code. However, such plans may be subject to similar restrictions under applicable state, local or other law (“Similar Law”).

The purchase of the Bonds by or on behalf of a Benefit Plan Investor could give rise to a prohibited transaction if the underwriter or an affiliate of the underwriter is a party in interest or a disqualified person with respect to such Benefit Plan Investor. Certain statutory and administrative exemptions from the prohibited transaction rules could be applicable to the purchase of the Bonds by a Benefit Plan Investor depending on the type and circumstances of the plan fiduciary making the decision to acquire such Bonds and the relationship of the party in interest or disqualified person to the Benefit Plan Investor. Included among these exemptions are: Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for certain transactions between a Benefit Plan Investor and non-fiduciary service providers to the Benefit Plan Investor; Prohibited Transaction Class Exemption (“PTCE”) 96-23, regarding transactions effected by “in-house asset managers;” PTCE 95-60, regarding investments by insurance company general accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, regarding transactions effected by “qualified professional asset managers.” Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. There can be no assurance that any of these, or any other exemption, will be available with respect to any particular transaction involving the Bonds, and prospective investors that are Benefit Plan Investors and other Plans should consult with their legal advisors regarding the applicability of any such exemption and other applicable legal requirements.

By acquiring a Bond (or interest therein), each purchaser (and if the purchaser is a Plan, its fiduciary) is deemed to represent and warrant that either (i) it is not acquiring the Bond (or interest therein) with the assets of a Benefit Plan Investor, a U.S. governmental plan or church plan or (ii) the acquisition of the Bond (or interest therein) will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of Similar Law.

CONTINUING DISCLOSURE

The State will enter into a Continuing Disclosure Undertaking (the “Undertaking”) for the benefit of the beneficial owners of the 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 (the “Rule”) adopted by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended (the “1934 Act”). See “APPENDIX D – 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 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 Bond Sale Order, adopted by the Governor and the Director authorizing the issuance of the Bonds (the "Bond Sale Order"), and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. See "APPENDIX D – CONTINUING DISCLOSURE UNDERTAKING - CONSEQUENCES OF FAILURE OF THE STATE TO PROVIDE INFORMATION." A failure by the State to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Drinker Biddle & Reath LLP ("Bond Counsel"), who has been retained by, and act as, Bond Counsel to the State. Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds and assume no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in its capacity as Bond Counsel, Drinker Biddle & Reath LLP has, at the request of the State, reviewed only those portions of this Official Statement involving the description of the Bonds, the security for the Bonds (excluding forecasts, projections, estimates or any other financial or economic information in connection therewith), and the description of certain federal tax consequences of ownership of the Bonds. This review was undertaken solely at the request and for the benefit of the State and did not include any obligation to establish or confirm factual matters set forth herein. The form of opinion expected to be delivered by Bond Counsel is contained in APPENDIX B hereto. Certain legal matters will be passed upon for the Underwriters by Shanahan & Shanahan LLP, Chicago, Illinois.

UNDERWRITING

The Bonds are being purchased by an underwriting group (the "Underwriters") led by Citigroup Global Markets Inc., pursuant to a Contract of Purchase by and among the Underwriters and the State at a purchase price of $895,259,736 (being the principal amount of $900,000,000, less an original issue discount of $90,360 and less an Underwriters' discount of $4,649,904). The State has been advised by the Underwriters that the 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.

FINANCIAL ADVISOR

Acacia Financial Group, Inc. has been retained by the State to serve as Financial Advisor with respect to the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds.

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 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 Bonds.

CERTIFICATE OF THE DIRECTOR OF THE GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

The Director of the GOMB (the "Director") will provide to the Underwriters at the time of delivery of the Bonds a certificate confirming that, to the best of his knowledge, the Official Statement was, as of its date, and is, at the time 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.

MISCELLANEOUS

Additional information regarding the Bonds and this Official Statement is available by contacting the Governor's Office of Management and Budget, 108 State House, Springfield, Illinois 62706; telephone: (217) 782-4520.

The State has authorized the distribution of this Official Statement.

STATE OF ILLINOIS

By: /s/David Vaught______________________
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 fourth among the ten most populous states and fourteenth 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, third 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 compares the workforce composition of Illinois to that of the United States as a whole. Table A-2 shows the distribution of Illinois non-agricultural employment by industry sector.

Table A-1
PAYROLL JOBS BY INDUSTRY, SEASONALLY ADJUSTED – MARCH 2010
(Thousands)

Industry Employment Sector	Illinois	% of Total	U.S.	% of Total
Natural Resources and Mining	9	0.2%	701	0.5%
Construction	199	3.6%	5,611	4.3%
Information and Financial	469	8.4%	10,335	8.0%
Manufacturing	556	10.0%	11,591	8.9%
Trade, Transportation and Utilities	1,130	20.2%	24,700	19.0%
Professional and Business Services	779	13.9%	16,580	12.8%
Education and Health Services	830	14.9%	19,454	15.0%
Leisure and Hospitality	506	9.1%	13,067	10.1%
Other Services	254	4.5%	5,320	4.1%
Government	853	15.3%	22,512	17.3%
Total	**5,584**	**100.0%**	**130,991**	**100.0%**

Source: U.S. Department of Labor, Bureau of Labor Statistics, May 2010.

Table A-2
NON-AGRICULTURAL PAYROLL JOBS BY INDUSTRY
ILLINOIS - 2004 THROUGH 2009
(Thousands)

Industry Employment Sector	2004	2005	2006	2007	2008	2009
Total Non-Agricultural Employment	5,827	5,931	5,970	5,991	5,784	5,558
Natural Resources and Mining	9	10	10	10	10	9
Construction	265	275	279	273	235	202
Manufacturing	699	688	679	673	616	554
Trade, Transportation and Utilities	1,201	1,223	1,217	1,202	1,177	1,121
Information and Financial Activities	519	524	532	526	496	469
Professional and Business Services	799	837	858	882	816	768
Educational and Health Services	731	758	759	782	804	821
Leisure and Hospitality	509	512	532	539	514	507
Other Services	257	260	261	261	261	253
Government	838	844	843	844	854	854

Source: U.S. Department of Labor, Bureau of Labor Statistics, May 2010

Agriculture

Illinois ranks prominently among states for agricultural activity and exports. Tables A-3 and A-4 summarize key agricultural production statistics including rank among all states for the years 2004 to 2008.

Table A-3

ILLINOIS CASH RECEIPTS FROM CROPS AND LIVESTOCK
($ in Millions)

	2004	2005	2006	2007	2008	2008 Rank
Crops	$7,172	$7,010	$7,232	$10,491	$14,232	3
Livestock	1,956	1,970	1,825	2,113	2,125	25
Total	**$9,128**	**$8,980**	**$9,057**	**$12,604**	**$16,357**	**5**

Source: U.S. Department of Agriculture-Economic Research Service November 2009.

Table A-4

AGRICULTURAL EXPORTS
Federal Fiscal Year 2008
($ in Millions)

Agricultural Exports	U.S. Total	Illinois Share	% of U.S.	Rank
All Commodities	$115,452	$7,541	6.5%	3
Feed Grain and Products	18,148	2,858	15.7%	2
Soybeans and Products	19,332	2,794	14.5%	2

Source: U.S. Department of Agriculture-Economic Research Service, December 2009.

Contract Construction

Contracts for future construction in Illinois averaged $19.4 billion annually during the period 1997 through 2008 and totaled $20.8 billion in 2008. During the period 1997 through 2008, building permits issued for residential construction averaged 52,441 annually, with an average annual valuation of $7.4 billion. Table A-5 presents annual data on contracts for future construction and residential building activity.

Table A-5

CONTRACTS FOR FUTURE CONSTRUCTION
AND RESIDENTIAL BUILDING ACTIVITY
(Valuations in $ Millions)

	Future Contracts for Residential, Non-residential and Non-building Construction[1]	Residential Building Activity (Privately-Owned Housing Units)[2]	
Year	**Valuation**	**Permits**	**Valuation ($ in Millions)**
1997	12,703	46,323	5,087
1998	15,000	47,984	5,618
1999	16,450	53,974	6,538
2000	16,945	51,944	6,528
2001	19,393	54,839	7,141
2002	20,653	60,971	8,546
2003	19,033	62,211	9,106
2004	21,823	59,753	9,551
2005	24,300	66,942	10,963
2006	24,306	58,802	9,470
2007	24,415	43,020	6,936
2008	20,809	22,528	3,783
2009	13,637	10,912	2,175
2010	387*	2,151	414**

*** Through February 2010**
****Through March 2010**

[1] Department of Commerce and Economic Opportunity.
[2] U.S. Census Bureau, Housing Units Authorized by Building Permits: Annual, various issues, December 2009.

Financial Institutions

Illinois serves as the financial center of the Midwest. As of September 30, 2009, there were 564 banks headquartered in Illinois with total assets of $300.2 billion. In addition, there were 85 thrifts headquartered in Illinois with assets of $34.4 billion.

The following table lists the 3 largest banks listing Illinois headquarters.

Financial Institution	Assets as of 6/30/09 ($ in millions)
The Northern Trust Company	$62,156
Harris Bank, N.A.	41,572
MB Financial Bank, N.A.	8,383
Total	$112,111

Source: Federal Deposit Insurance Corporation and the Illinois Department of Financial and Professional Regulation

Personal Income

Per capita income in Illinois is greater than the average in both the United States and the Great Lakes Region. Table A-6 presents personal income data, and Table A-7 presents per capita income comparisons.

Table A-6

PERSONAL INCOME
($ in Billions)

	1990	2003	2004	2005	2006	2007	2008	2009
Illinois	$238	$427	$445	$463	$491	$526	$547	$534
United States	4,886	9,150	9,711	10,253	10,977	11,632	12,087	12,016

Source: U.S. Department of Labor, Bureau of Labor Statistics, May 2010.

Table A-7

PER CAPITA PERSONAL INCOME

	1990	2005	2006	2007	2008	2009	Rank
Illinois	$20,835	$37,168	$39,549	$41,569	$42,347	$41,411	14
United States	19,354	35,477	37,728	39,340	40,208	39,138	--
Ten Most Populous States:							
New Jersey	17,421	43,831	46,763	49,511	50,919	50,313	1
New York	21,638	39,967	44,027	46,364	48,076	46,957	2
California	24,572	36,936	39,626	41,805	42,696	42,325	3
Illinois	**$20,835**	**$37,168**	**$39,549**	**$41,569**	**42,347**	**41,411**	**4**
Pennsylvania	18,922	34,937	36,826	38,793	40,265	39,578	5
Florida	19,867	34,001	36,720	38,417	39,070	37,780	6
Texas	23,523	32,460	35,166	37,083	38,575	36,484	7
Ohio	19,564	31,860	33,320	34,468	35,511	35,381	8
Michigan	18,743	32,804	33,788	34,423	35,299	34,025	9
Georgia	17,603	30,914	32,095	33,499	33,975	33,786	10
Great Lakes States:							
Illinois	**$20,835**	**$37,168**	**$39,549**	**$41,569**	**42,347**	**41,411**	**1**
Wisconsin	18,072	33,278	34,405	36,272	36,314	36,822	2
Ohio	19,564	31,860	33,320	34,468	35,511	35,381	3
Michigan	18,743	32,804	33,788	34,423	35,299	34,025	4
Indiana	17,491	31,173	32,288	33,215	34,103	33,725	5
Average	18,599	33,076	34,103	35,878	36,925	36,273	

Source: U.S. Department of Commerce, Bureau of Economic Analysis, May 2010.

Employment

Table A-8

NUMBER OF UNEMPLOYED

	2004	2005	2006	2007	2008	2009	2010*
United States	8,149,000	7,591,000	7,001,000	7,078,000	8,924,000	15,142,000	15,005,000
Illinois	396,900	371,800	302,800	341,020	433,700	674,692	664,946
Bloomington-Normal MSA	3,842	3,688	3,093	3,582	4,679	6,711	6,468
Champaign-Urbana MSA	5,283	5,022	4,530	5,404	6,967	10,349	10,001
Chicago PMSA	294,099	278,513	217,021	242,098	306,184	487,100	487,898
Danville-MSA	3,043	2,481	2,233	2,456	3,096	4,499	4,272
Davenport-Moline-Rock Island MSA	10,347	9,487	8,701	9,047	10,779	17,617	16,408
Decatur MSA	3,637	3,312	2,917	3,242	3,962	6,753	6,259
Kankakee MSA	3,889	3,466	3,095	3,710	4,951	7,057	6,819
Peoria-Pekin MSA	10,232	9,197	7,939	9,314	11,620	23,079	21,098
Rockford MSA	12,249	10,924	9,191	11,254	15,978	27,340	25,665
Springfield MSA	5,797	5,231	4,832	5,407	6,780	8,981	8,503

*Data as of March 2010
Source: United States Department of Labor, Bureau of Labor Statistics Data, May 2010.

Table A-9

UNEMPLOYED RATE (%)

	2004	2005	2006	2007	2008	2009	2010*
United States	5.5	5.1	4.6	4.6	5.8	10.0	9.7
Illinois	6.2	5.8	4.6	5.1	6.5	10.1	11.7
Bloomington-Normal MSA	4.5	4.3	3.6	4.0	5.1	7.2	8.6
Champaign-Urbana MSA	4.6	4.3	3.9	4.5	5.7	8.3	9.5
Chicago PMSA	6.3	6.0	4.5	4.9	6.2	10.0	11.3
Danville MSA	8.1	6.5	6.0	6.5	8.2	11.5	13.7
Davenport-Moline-Rock Island MSA	5.2	4.7	4.3	4.4	5.2	8.1	10.2
Decatur MSA	7.0	6.3	5.6	5.9	7.2	11.4	13.8
Kankakee MSA	7.5	6.6	5.9	6.6	8.8	12.1	15.2
Peoria-Pekin MSA	5.6	4.9	4.2	4.6	5.7	10.4	12.3
Rockford MSA	7.5	6.7	5.6	6.4	9.1	15.0	17.9
Springfield MSA	5.3	4.7	4.4	4.7	5.9	7.4	9.3

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

*Data as of March 2010
Source: United States Department of Labor, Bureau of Labor Statistics Data, May 2010.

Population

Illinois is the nation's fifth most populous state. The State's population is approximately 12.90 million according to the U.S. Bureau of the Census for calendar year 2008.

Table A-10

POPULATION
ILLINOIS AND SELECTED METROPOLITAN STATISTICAL AREAS

	1980	1990	2000	2008*
Illinois	11,427,409	11,430,602	12,419,293	12,901,563
Chicago CMSA (IL Part)	7,348,874	7,410,858	8,272,768	8,702,701
St. Louis MSA (IL Part)	588,464	588,995	599,845	622,506
Rockford MSA	325,852	329,676	371,236	409,561
Peoria MSA	365,864	339,172	347,387	353,682
Springfield MSA	187,770	189,550	201,437	206,588**
Champaign-Urbana MSA	168,392	173,025	179,669	193,636

Source: U.S. Bureau of the Census, Population Division, Annual Estimates of the Population for Metropolitan Areas of Illinois, April 1, 2000 to July 1, 2008; Census 2000 Rankings and Comparisons, Metropolitan Areas and their Geographic Components. (Population data for 1980 and 1990 were adjusted to reflect Metropolitan Statistical Area definitions.)

* As of July 1, 2008
** As of July 1, 2007

Organization

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 include the Lieutenant Governor, the Attorney General, the Secretary of State, the Comptroller and the Treasurer.

The Illinois Constitution provides that all elected officials of the Executive Branch of the State Government hold office for four-year terms. Pursuant to the State Constitution, these officials were elected at a general election in November 2006 and took office as of January 8, 2007. The current Governor, Pat Quinn, was elected Lieutenant Governor in such election, took office as Lieutenant Governor on January 8, 2007, and took office as Governor on January 30, 2009, after Rod R. Blagojevich was removed from such office by the State Senate. The next State general election will be held in November 2010.

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.

The judicial branch is composed of the Supreme Court, the Appellate Courts and the Circuit Courts.

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APPENDIX B
FORM OF APPROVING OPINION OF
BOND COUNSEL

[TO BE DATED CLOSING DATE]

State of Illinois

Re: $900,000,000 General Obligation Bonds, Taxable Build America Bonds, Series 2010-5

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the State of Illinois (the "State") of its $900,000,000 General Obligation Bonds, Taxable Build America Bonds, Series 2010-5 (the "Bonds"). The Bonds are being issued pursuant to the provisions of Section 9(b) of Article IX of the Illinois Constitution of 1970, the General Obligation Bond Act, 20 Illinois Compiled Statutes 330, and a Bond Sale Order dated June 4, 2010 (the "Bond Sale Order").

The Bonds mature on July 1 of the years, in the amounts and bear interest as follows:

Maturity (July 1)	Principal Amount	Interest Rate
2011	$ 36,000,000	2.28%
2012	36,000,000	3.08
2013	36,000,000	4.01
2014	36,000,000	4.55
2015	36,000,000	4.85
2016	36,000,000	5.23
2021	180,000,000	6.20
2035	504,000,000	7.35

The Bonds are subject to optional redemption, extraordinary optional redemption and sinking fund redemption as set forth in the Final Official Statement for the Bonds dated July 14, 2010.

In our capacity as bond counsel, we have examined a certified record of such proceedings of the State authorizing the issuance, sale and delivery of the Bonds and such other matters of fact and law as we have deemed necessary to render this opinion (collectively, the "Proceedings"). As to questions of fact material to our opinion, we have relied upon the Proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Proceedings show lawful authority for the issuance of the Bonds under the laws of the State of Illinois now in force.

2. The form of the Bond prescribed for said issue is in due form of law.

3. Pursuant to the Proceedings, the Bonds are valid and binding general obligations of the State.

4. Interest on the Bonds is included in gross income of the owners thereof for federal income tax purposes. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers. We express no opinion regarding any such collateral consequences arising with respect to the Bonds. The opinion set forth in this paragraph is not intended or written by 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.

5. Interest on the Bonds is not exempt from State of Illinois income taxes.

The rights of the owners of the Bonds and the enforceability of provisions of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights. Enforcement of provisions of the Bonds by an equitable or similar remedy is subject to general principles of law or equity governing such a remedy, including the exercise of judicial discretion whether to grant any particular form of relief.

In rendering this opinion, we have relied upon certifications of the State and certain other parties with respect to certain matters solely within their knowledge relating to the facilities financed with the Bonds, the application of proceeds of the Bonds and certain other matters pertinent to the status of the Bonds.

This opinion is based upon laws, regulations, rulings and decisions in effect on the date hereof. We assume no responsibility for updating this opinion to take into account any event, action, interpretation or change of law occurring subsequent to the date hereof that may affect the validity of any of the opinions expressed herein.

Very truly yours,

APPENDIX C
GLOBAL BOOK-ENTRY SYSTEM

The information under this caption concerning DTC and DTC's book-entry system is based solely on information provided by DTC. Accordingly, no representation is made by the State, the Bond Registrar or the Underwriters as to the completeness or accuracy of such information, or as to the absence of changes in such information subsequent to the date hereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Bonds"). The 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 Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. 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 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 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 Bonds, except in the event that use of the book-entry system for the 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 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. However, with respect to the optional redemption of Bonds as described in this Official Statement, the Bond Registrar is required to instruct DTC to select specific Bonds for redemption using the "pro rata" method described herein.

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 MMI 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 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 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 redemption proceeds, distributions, and dividend payments 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 will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the State or the Bond Registrar. Under such circumstances, in the event that a successor 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-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

The State and the Bond Registrar cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants, will distribute to the Beneficial Owners of the Bonds (a) payments of principal of, premium, if any, or interest on the Bonds, (b) confirmations of their ownership interests in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its partnership nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, the Direct Participants or the Indirect Participants, will serve and act in the manner described in this Official Statement. The information in this section 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.

Neither the State nor the Bond Registrar will have any responsibility or obligations to the Direct Participants, Indirect Participants or the Beneficial Owners with respect to (1) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (2) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal amount of or redemption price or interest on the Bonds; (3) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted to be given to Holders under the terms of the Bond Sale Order; (4) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (5) any consent given or other action taken by DTC as Holder.

GLOBAL CLEARANCE PROCEDURES

The information set out below has been obtained from sources that the State believes to be reliable, but prospective investors are advised to make their own inquiries as to such procedures. In particular, such information is subject to any change in or interpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg (together, the "Clearing Systems") currently in effect and investors wishing to use the facilities of any of the Clearing Systems are therefore advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the State nor the Underwriters will have any responsibility for the performance by the Clearing Systems, the Clearstream Participants or the Euroclear Operator or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described below. No representation is made as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

CLEARSTREAM

Clearstream Banking, société anonyme, 42 Avenue J.F. Kennedy, L-1855 Luxembourg ("Clearstream, Luxembourg"), was incorporated in 1970 as "Cedel S.A.," a company with limited liability under Luxembourg law (a société anonyme). Cedel S.A. subsequently changed its name to Cedelbank. On January 10, 2000, Cedelbank's parent company, Cedel International, société anonyme ("CI") merged its clearing, settlement and custody business with that of Deutsche Börse AG ("DBAG"). The merger involved the transfer by CI of substantially all of its assets and liabilities (including its shares in Cedelbank), and the transfer by DBAG of its shares in Deutsche Börse Clearing (DBC), to a new Luxembourg company, which with effect January 14, 2000 was renamed Clearstream International, société anonyme, and was then 50% owned by CI and 50% owned by DBAG. Following this merger, the subsidiaries of Clearstream International were also renamed to give them a cohesive brand name. On January 18, 2000, Cedelbank was renamed "Clearstream Banking, société anonyme," and Cedel Global Services was renamed "Clearstream Services, société anonyme." On January 17, 2000, Deutsche Börse Clearing AG was renamed "Clearstream Banking AG." Today Clearstream International is 100% owned by DBAG. The shareholders of DBAG are comprised of mainly banks, securities dealers and financial institutions.

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Transactions may be settled by Clearstream, Luxembourg in any of 36 currencies, including United States Dollars. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in over 30 countries through established depository and custodial relationships. Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier, "CSSF," and the Banque Centrale du Luxembourg ("BCL") which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg's customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

Clearstream, Luxembourg's U.S. customers are limited to securities brokers and dealers and banks. Currently, Clearstream, Luxembourg has approximately 2,000 customers located in over 80 countries, including all major European countries, Canada, and the United States. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear Bank S.A./N.V. as the Operator of the Euroclear System (the "Euroclear Operator") in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

EUROCLEAR BANK

Euroclear Bank S.A./N.V. ("Euroclear Bank") holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear

Participants, and between Euroclear Participants and Participants of certain other securities intermediaries through electronic book-entry changes in accounts of such Participants or other securities intermediaries.

Euroclear Bank provides Euroclear Participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear Participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations. Certain of the managers or underwriters for this offering, or other financial entities involved in this offering, may be Euroclear Participants. Non-Participants in the Euroclear System may hold and transfer book-entry interests in the Securities through accounts with a Participant in the Euroclear System or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear Bank.

Clearance and Settlement. Although Euroclear Bank has agreed to the procedures provided below in order to facilitate transfers of securities among Participants in the Euroclear System, and between Euroclear Participants and Participants of other intermediaries, it is under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time.

Initial Distribution. Investors electing to acquire securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of new issues of securities. Securities to be acquired against payment through an account with Euroclear Bank will be credited to the securities clearance accounts of the respective Euroclear Participants in the securities processing cycle for the business day following the settlement date for value as of the settlement date, if against payment.

Secondary Market. Investors electing to acquire, hold or transfer securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of secondary market transactions in securities. Please be aware that Euroclear Bank will not monitor or enforce any transfer restrictions with respect to the securities offered herein.

Custody. Investors who are Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with Euroclear Bank. Investors who are not Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with a securities intermediary who holds a book-entry interest in the securities through accounts with Euroclear Bank.

Custody Risk. Investors that acquire, hold and transfer interests in the securities by book-entry through accounts with Euroclear Bank or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the individual securities.

Euroclear Bank has advised as follows:

Under Belgian law, investors that are credited with securities on the records of Euroclear Bank have a co-property right in the fungible pool of interests in securities on deposit with Euroclear Bank in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear Bank, Euroclear Participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear Bank. If Euroclear Bank did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all Participants credited with such interests in securities on Euroclear Bank's records, all Participants having an amount of interests in securities of such type credited to their accounts with Euroclear Bank would have the right under Belgian law to the return of their pro-rata share of the amount of interests in securities actually on deposit.

Under Belgian law, Euroclear Bank is required to pass on the benefits of ownership in any interests in securities on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records.

Initial Settlement; Distributions; Actions Upon Behalf of Owners

All of the Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depository, which, in turn, holds such positions in customers' securities accounts in its U.S. Depository's name on the books of DTC. Citibank, N.A. acts as depository for Clearstream and JPMorgan Chase Bank acts as depository for Euroclear (the "U.S. Depositories"). Holders of the Bonds may hold their Bonds through DTC (in the United States) or Clearstream or Euroclear (in Europe) if they are participants of such systems, or directly through organizations that are participants in such systems. Investors electing to hold their Bonds through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional EuroBonds in registered form. Securities will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Distributions with respect to the Bonds held beneficially through Clearstream will be credited to the cash accounts of Clearstream customers in accordance with its rules and procedures, to the extent received by its U.S. Depository. Distributions with respect to the Bonds held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by its U.S. Depository. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations. Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by an owner of the Bonds on behalf of a Clearstream customer or Euroclear Participant only in accordance with the relevant rules and procedures and subject to the U.S. Depository's ability to effect such actions on its behalf through DTC.

Secondary Market Trading

Secondary market trading between Participants (other than U.S. Depositories) will be settled using the procedures applicable to U.S. corporate debt obligations in same-day funds. Secondary market trading between Euroclear Participants and/or Clearstream customers will be settled using the procedures applicable to conventional EuroBonds in same-day funds. When securities are to be transferred from the account of a Participant (other than U.S. Depositories) to the account of a Euroclear Participant or a Clearstream customer, the purchaser must send instructions to the applicable U.S. Depository one business day before the settlement date. Euroclear or Clearstream, as the case may be, will instruct its U.S. Depository to receive the securities against payment. Its U.S. Depository will then make payment to the Participant's account against delivery of the securities. After settlement has been completed, the securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear participant's or Clearstream customers' accounts. Credit for the securities will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Bonds will accrue from the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Euroclear or Clearstream cash debit will be valued instead as of the actual settlement date.

Euroclear Participants and Clearstream customers will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream. Under this approach, they may take on credit exposure to Euroclear or Clearstream until the securities are credited to their accounts one day later. As an alternative, if Euroclear or Clearstream has extended a line of credit to them, participants/customers can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear Participants or Clearstream customers purchasing securities would incur overdraft charges for one day, assuming they cleared the overdraft when the securities were credited to their accounts. However, interest on the securities would accrue from the value date. Therefore, in many cases, the investment income on securities earned during that one day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's/customer's particular cost of funds. Because the settlement is taking place during New York business hours, Participants can employ their usual procedures for sending securities to the applicable U.S. Depository for the benefit of Euroclear Participants or Clearstream customers. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the Participant, a cross- market transaction will settle no differently from a trade between two Participants.

Due to time zone differences in their favor, Euroclear Participants and Clearstream customers may employ their customary procedure for transactions in which securities are to be transferred by the respective clearing system, through the applicable U.S. Depository to another Participant's. In these cases, Euroclear will instruct its U.S. Depository to credit the securities to the Participant's account against payment. The payment will then be reflected in the account of the Euroclear Participant or Clearstream customer the following business day, and receipt of the cash proceeds in the Euroclear Participants' or Clearstream customers' accounts will be backvalued to the value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear Participant or Clearstream customer has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear Participant's or Clearstream customer's accounts would instead be valued as of the actual settlement date.

Procedures May Change

Although DTC, Clearstream and Euroclear have agreed to these procedures in order to facilitate transfers of securities among DTC and its Participants, Clearstream and Euroclear, they are under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by any of them.

General Statement

THE STATE CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFERING MEMORANDUM.

THE STATE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR, EUROCLEAR PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE DOCUMENTS RELATED TO THE BONDS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE BONDS.

APPENDIX D
CONTINUING DISCLOSURE UNDERTAKING

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

ANNUAL FINANCIAL INFORMATION DISCLOSURE

The State covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (as described below) through the Electronic Municipal Market Access ("EMMA") system established by the Municipal Securities Rulemaking Board (the "MSRB") for purposes of the Rule. 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 as set forth below may be included by specific reference to other documents available to the public on the MSRB's Internet website, 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 through EMMA.

"*Annual Financial Information*" means financial information and operating data of the type contained herein (i) in Tables 1 through 3 and 6 under the heading "State Financial Information", and (ii) in Tables 7, 8, 11, 12 and 18 under the heading "Indebtedness." Annual Financial Information exclusive of Audited Financial Statements will be provided through EMMA by 330 days after the last day of the State's fiscal year, which is currently June 30 of each 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. Audited Financial Statements will be provided through EMMA within 30 days after availability to the GOMB. Audited Financial Statements are also available from the Comptroller as described in this Official Statement under the heading "State Financial Information—GAAP Financial Report."

MATERIAL EVENTS DISCLOSURE

The State covenants that it will disseminate through EMMA for purposes of the Rule in a timely manner the disclosure of the occurrence of an Event (as described below) with respect to the Bonds that is material, as materiality is interpreted under the Securities Exchange Act of 1934, as amended. The "Events", certain of which may not be applicable to the Bonds, are:

- principal and interest payment delinquencies;
- non-payment related defaults;
- 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;
- adverse tax opinions or events affecting the tax-exempt status of the security;
- modifications to the rights of security holders;
- bond calls;
- defeasances;
- release, substitution or sale of property securing repayment of the securities; and
- rating changes.

CONSEQUENCES OF FAILURE OF THE STATE TO PROVIDE INFORMATION

The State will give timely notice through EMMA of any failure to provide disclosure of Annual Financial Information and Audited Financial Statements when they are due under the Undertaking.

If the State fails to comply with any provision of the Undertaking, the beneficial owner of any 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 Bond Sale Order, 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 Bonds, as determined by a party unaffiliated with the State (such as bond counsel).

TERMINATION OF UNDERTAKING

The Undertaking shall be terminated if the State no longer has any legal liability for any obligation on or relating to repayment of the Bonds under the Bond Sale Order. The State shall give timely notice through EMMA if there is such a termination.

ADDITIONAL INFORMATION

Nothing in the Undertaking will 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 material 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 material Event in addition to that which is specifically required by the Undertaking, the State will have no obligation under the Undertaking to update such information or include it in any future disclosure or notice of occurrence of a material 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.

Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fiber
www.fsc.org Cert no. BV-COC-960893
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