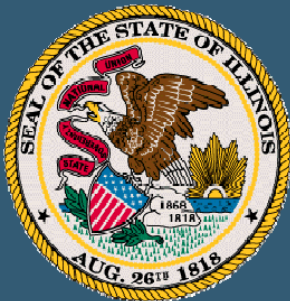


State of Illinois

Investor Presentation – Competitive Offering
General Obligation Bonds, Series of November 2017ABC
October 6, 2017



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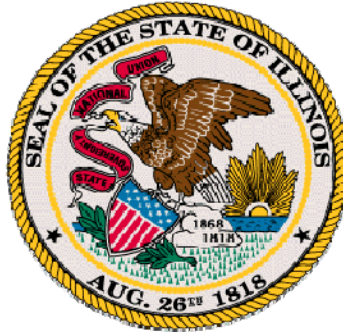
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Link¹ to the Preliminary Official Statement ("POS"): <http://munios.com/e/TLCPL>

1. Link expires on October 17, 2017.

Presentation Participants



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Transaction Overview

- The State is selling the \$1.5 billion Series of November 2017ABC Bonds on a competitive basis
 - The Series of November 2017ABC (the “2017ABC Bonds”) competitive offering will be concurrently marketed with the \$4.5 billion* Series of November 2017D Bonds (the “2017D Bonds”) to be sold on a negotiated basis during the week of October 23rd

General Obligation Bonds, Series of November 2017ABC*	
Estimated Size	Series A (2018): 500,000,000 Series B (2019): 500,000,000 Series C (2029): 500,000,000 Total: \$1,500,000,000
Method of Sale	Competitive
Use of Proceeds	To provide funds to pay vouchers previously incurred by the State and to pay costs of issuance
Tax Status	Federally Tax-Exempt, State of Illinois Taxable
Coupon	Fixed Rate
Amortization	Serial bonds due on November 1, 2018-2019, and November 1, 2029
Interest Payment Dates	May 1 and November 1, commencing May 1, 2018
Redemption Features	10-Year Par Call (Series C)
Security and Repayment Source	Direct, full faith and credit general obligations of the State pursuant to the General Obligation Bond Act (the “Bond Act”). The provisions of the Bond Act are irrevocable until all bonds issued under the Bond Act, including the Bonds, are paid in full as to both principal and interest.
Ratings	Expected by October 11, 2017
Sale Date	October 17, 2017
Closing Date	November 8, 2017
Financial Advisor	PFM and PRAG

Preliminary Amortization (\$000s)*		
Maturity (November 1 st)	November 2017ABC (Competitive)	November 2017D (Negotiated)
2018	\$ 500,000	\$ -
2019	500,000	-
2020	-	500,000
2021	-	500,000
2022	-	500,000
2023	-	500,000
2024	-	500,000
2025	-	500,000
2026	-	500,000
2027	-	500,000
2028	-	500,000
2029	500,000	-
Total	\$1,500,000	\$4,500,000

*Preliminary, subject to change.

1. Illinois' Strong and Diverse Economy

The State's Credit Fundamentals are Improving

- Together with the 2017D Bonds, the 2017ABC Bonds will pay off approximately \$6.0 billion of outstanding bills and is expected to result in the receipt of additional federal funds
 - By the end of fiscal year 2018, the bill backlog is expected to be approximately \$7.5 billion, a nearly 50% reduction
-

Recent Developments

- ✓ Passage of fiscal year 2018 Budget
 - ✓ Permanent increase in personal income tax and corporate income tax rates to 4.95% and 7.00% respectively
 - ✓ Passage of Tier 3 Pension Plan and funding changes
 - ✓ Passage of Senate Bill 1947 (PA 100-465), which provided for an evidence-based method of allocating funding among the state's school districts
 - ✓ Reauthorization of EDGE Tax Credits to improve the State's competitiveness for major economic development projects
 - ✓ Reduced risk to swap counterparties by renegotiating rating triggers
-

Inherent Credit Strengths

- ✓ Sovereign State with significant revenue flexibility
- ✓ Illinois' economy is the 5th largest in the United States and 18th largest worldwide¹
- ✓ The Bond Act constitutes an irrevocable continuing appropriation and for all debt service payments on GO Bonds

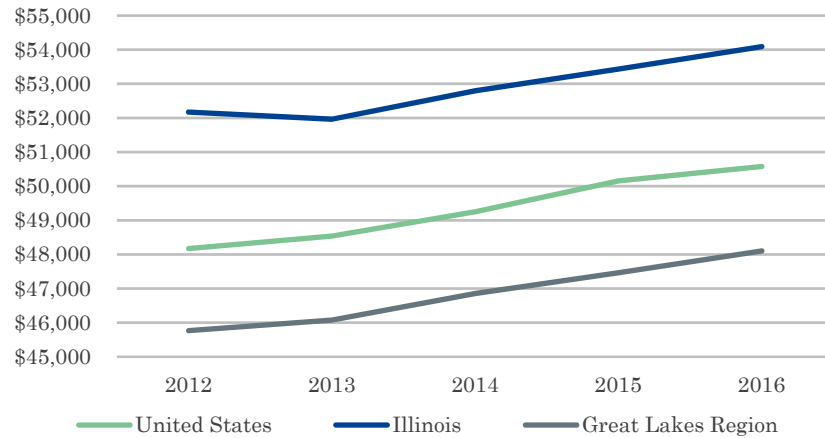
Note: Amounts related to the plan of finance and bill backlog are estimates

1. Source: US Department of Commerce Bureau of Economic Analysis for the Illinois ranking. IMF and World Bank for the international ranking.

Illinois Remains the Economic Powerhouse of the Midwest and Continues to Grow

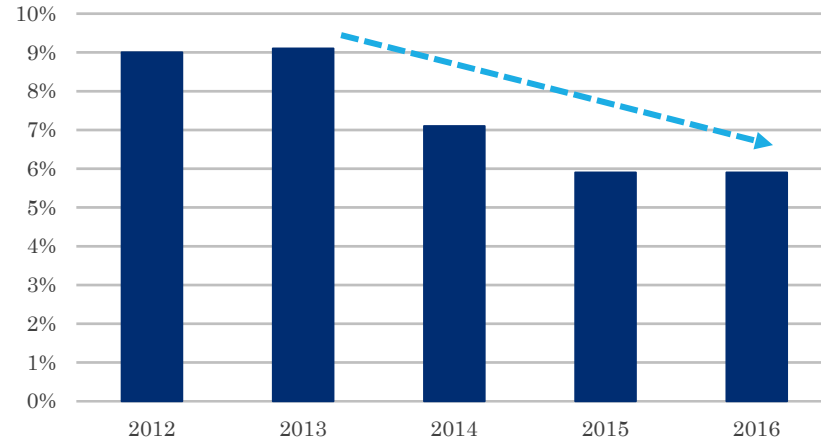
Upward Trend in Illinois Real GDP Per Capita¹

Illinois outperforms the U.S. and Great Lakes Region in terms of Real GDP



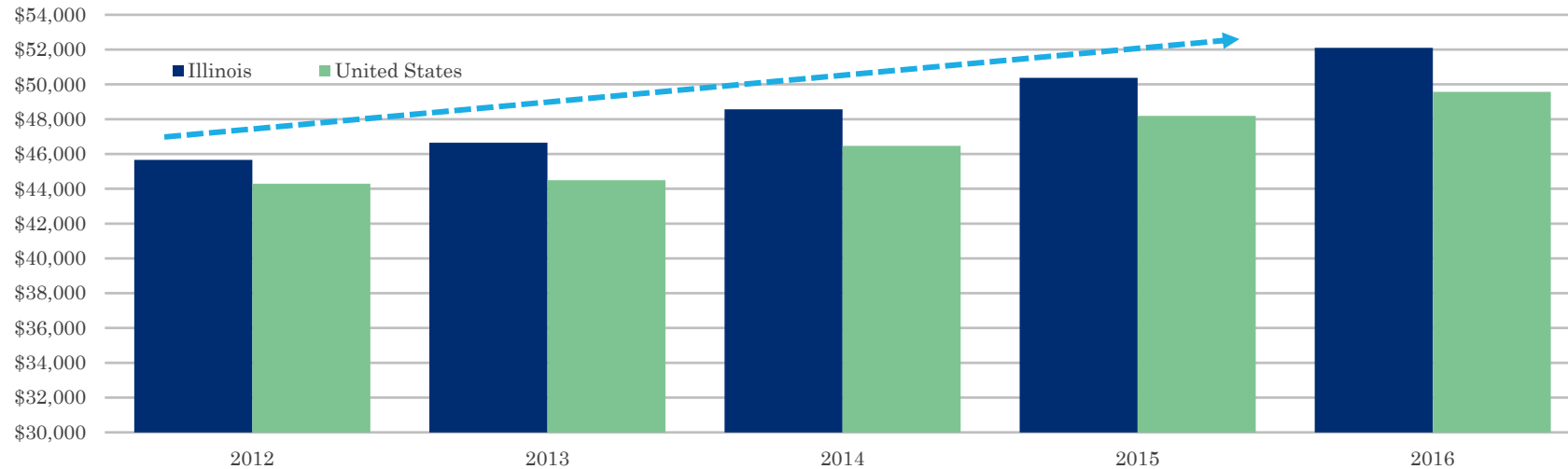
Illinois Unemployment Continues to Decline

Unemployment approximates national levels



Per Capita Personal Income

Illinois' Per Capita Income is ranked 3rd among the 10 most populous states and 16th among all states



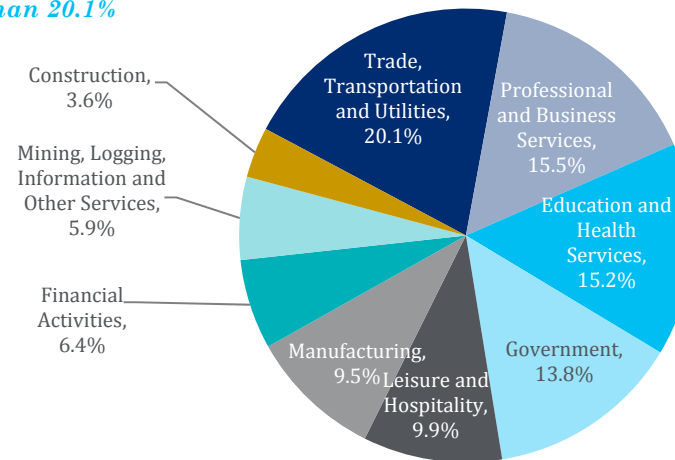
Source: U.S. Department of Commerce, U.S. Census Bureau; Bureau of Economic Analysis
1. 2009 Chained Dollars

Illinois' Economic Growth is Driven by a Large, Highly Educated Population and Diverse Employment Mix

- Illinois is the 5th most populous state in the nation and its highly educated population has fueled the region's growing and diversified economy
- Illinois' economy is the 5th largest in the United States and 18th largest worldwide
- The State is home to two of the country's busiest airports and is a major hub for rail, trucking and waterway transportation networks

Illinois Non-Farm Employment by Industry

Broad employment base with no industry accounting for more than 20.1%



Select Illinois-Headquartered Fortune 500 Companies

36 Fortune 500 companies are headquartered in Illinois; only New York, California, and Texas have more



Source: Bureau of Labor Statistics; Fortune; US Department of Commerce Bureau of Economic Analysis; IMF; World Bank.

2. FY 2018 Budget Update

FY 2017 Budget Review

- A full FY 2017 General Funds budget was not enacted prior to the end of the fiscal year
- All payments for General Obligation and Build Illinois bond debt service were made
- Final FY 2017 General Funds revenue totaled \$29.405 billion
- For the General Funds budget, certain appropriations were enacted and spending occurred through statutory transfers, statutory continuing appropriations, court orders and consent decrees. Such spending is estimated to total \$34.0 billion in categories such as:
 - Elementary and secondary education
 - Medicaid and certain social service grant programs covered by consent decree
 - State employee payrolls by court order
 - Pension contributions
 - Transfers to other State funds, including for debt service
 - FY 2017 Appropriations in some cases were used to pay FY 2016 obligations
- Approximately \$2.8 billion in State General Funds operational liabilities were not appropriated in FY 2017, but these may be paid from future year appropriations

General Funds Estimated Results (\$millions)	
	FY 2017 Estimated
Base Resources	
State Sources	\$25,380
Transfers In ¹	\$1,542
Total State Sources	\$26,922
Federal Sources	\$2,483
Total Resources	\$29,405
Estimated Budgetary Expenditures ²	\$29,400
Statutory Transfers Out	\$2,400
Debt Service	\$2,235
Total Transfers	\$4,635
Total Expenditures	\$34,035
Estimated General Funds Surplus (Deficit)	(4,630)
Estimated FY 2017 Operational Liabilities Not Paid ³	2,800

1. Cash basis. Does not include transfers in from Budget Stabilization Fund. 2. Estimated expenditures based on FY 2017 spending as of 10/4/17, does not reflect IOC budgetary adjustments. Estimated expenditures are only those processed by Comptroller via appropriation, continuing appropriation or court order/consent decree during FY 2017 and FY 2017 lapse period. 3. GOMB estimate of FY 2017 General Funds liabilities not appropriated.

FY 2018 Budget Update

- As of May 31, 2017, no appropriations bills for spending for Fiscal Year 2018 had passed both chambers of the General Assembly. After this date, the Illinois Constitution requires that changes in law and appropriations may be immediately effective only with the approval of 3/5ths of the members of each chamber rather than a simple majority
- In early July, the General Assembly passed a Fiscal Year 2018 budget package, including appropriations and revenue increases
 - The Governor vetoed the bills related to the budget package on July 4, 2017, citing imbalances in the proposed Fiscal Year 2018 General Funds budget
 - The Senate and the House of Representatives overrode the Governor's veto of the budget package
- Three budget-related Public Acts went into effect on July 6, 2017 – PA 100-21 (appropriations), PA 100-22 (revenues) and PA 100-23 (the budget implementation statutory changes)
- Included in PA 100-22 were permanent increases in the individual income tax rate from 3.75 percent to 4.95 percent and in the corporate income tax rate from 5.25 percent to 7.0 percent, effective July 1, 2017
- Other revenue changes included revisions to certain tax credits and corporate income tax deductions

FY 2018 Budget Update (continued)

PA 100-23, the statutory budget implementation bill, included several legislative changes:

- The General Assembly enacted pension funding reforms with the expectation that the revisions would reduce the amount of contributions the State is required to make during Fiscal Year 2018
- For Fiscal Year 2018, there is a 10% reduction in State income and sales tax revenue sharing with local governments and transit districts, and also a shifting of this revenue sharing from a legislative transfer from the General Revenue Fund after income and sales taxes are deposited into the fund to a direct deposit
- Authorization for the State to issue up to \$6 billion in Section 7.6 Bonds (which includes the Bonds and the Series of November 2017D Bonds) to be used to reduce the State's accumulated unpaid bills by paying State vouchers incurred prior to July 1, 2017
- Authorization for the Comptroller to reallocate in Fiscal Year 2018 up to \$292.8 million from specific funds
- Authorization for the Comptroller to temporarily transfer balances in other State funds in State Treasury to General Funds or the Health Insurance Reserve Fund prior to December 31, 2018
 - Any such interfund borrowing amounts are required to be paid back within 24 months of the borrowing under current statute
 - Outstanding interfund borrowing cannot at any time exceed \$1.2 billion
- As of September 30, 2017, the Comptroller had processed fund reallocations totaling \$126 million and interfund borrowing of \$150 million for deposit into the General Revenue Fund

FY 2018 Estimated General Funds Revenues

- Under current law, General Funds revenues are estimated to total \$35.899 billion for FY 2018, a \$6.494 billion increase, or 22.1%, from FY 2017 actual revenues
 - When compared to the same group of 7 funds in the revised definition, the FY 2018 revenue estimate is \$5.566 billion, or 18.4% higher than in FY 2017
 - The FY 2018 numbers also reflect the impact of the direct deposit of income tax and sales tax revenue sharing with local governments and transit districts, estimated to total \$1.558 billion
 - Does not include potential revenues from interfund borrowing or fund reallocations
- Federal revenue receipts will depend on the amount of reimbursable Medicaid spending and the timing of the payments by the State, but payments are expected to be more timely in FY 2018. If the Bonds are used to pay Medicaid bills, additional federal revenues may be received

\$millions	FY 2016 Actual (Previous)	FY 2017 Actual (Previous)	FY 2018 Forecast (Sept 2017)	\$ increase	% increase
State Sources: Revenues					
Net Individual Income Taxes	\$12,890	\$12,737	\$17,250	\$4,513	35.4%
Net Corporate Income Taxes	1,972	1,328	1,882	554	41.7%
Sales Taxes	8,063	8,043	7,970	(73)	-0.9%
Total, Income and Sales Taxes	22,925	22,108	27,102	4,994	22.6%
Other State Revenues and Transfers	3,202	3,272	3,528	256	7.8%
Transfers In ¹	1,581	1,542	1,713	171	11.1%
Total State Sources	27,708	26,922	32,343	5,421	20.1%
Federal Sources	2,665	2,483	3,556	1,073	43.2%
Total Resources	\$30,373	\$29,405	\$35,899	\$6,494	22.1%

1. Cash Basis. Does not include transfers from Budget Stabilization Fund or for FY 2018 interfund borrowing or fund reallocations. Note: General Funds in FY 2018 was expanded to include 3 additional funds (the Commitment to Human Services Fund, Fund for the Advancement of Education, and the Budget Stabilization Fund) to a total of 7 funds. FY 2017 and earlier reflects the original definition.

Estimated Spending for FY 2018 Budget Outlook

- The estimated spending for the enacted FY 2018 General Funds budget is \$37.4 billion
 - Estimated spending from appropriations of \$33.9 billion
 - Debt service transfers to the GOBRI fund, including amounts needed for the Bonds, is estimated to total \$2.9 billion
 - Transfers to other State Funds is \$573 million, significantly below previous year due to the direct deposit of local governments revenue sharing
- The State’s base spending commitments are expected to exceed forecasted revenues by approximately \$1.5 billion
- The FY 2018 General Funds budget will likely show a surplus reporting on a reporting basis due to:
 - The transfer of a portion of the Bonds to the General Revenue Fund after issuance
 - Potential additional federal revenues above the current federal revenue estimate if a portion of the Bonds are used to pay Medicaid bills
 - Utilization of interfund borrowing and fund reallocations by the Comptroller in FY 2018

General Funds Expenditures¹ (\$billions)	
	FY 2018 Projected
Operating Budget (from Appropriations)	\$33.9
GO Bond Debt Service Transfers	2.9
Other Statutory Transfers	0.6
Estimated Total	\$37.4

1. Expenditures are GOMB estimates.

Update on Accounts Payable Backlog

- When final numbers are available, FY 2017 General Funds Accounts Payable are expected to show an increase from FY 2016 levels. General Funds Budget Basis Accounts Payable are expected to total approximately \$9.1 billion, while Section 25 liabilities are expected to also reflect an increase
- The proceeds of the Bonds and the Series of November 2017D Bonds are expected to be used to pay a portion of the backlog of bills to reduce end of FY 2018 Accounts Payable. It is expected that:
 - A portion will be deposited into the General Revenue Fund for Medicaid payments
 - A portion will be deposited into the Health Insurance Reserve Fund for state employee health insurance bills
- The Comptroller has authority to allocate the proceeds of such Bonds to the payment of any unpaid vouchers incurred by the State prior to July 1, 2017

End of Fiscal Year General Funds Accounts Payable (\$millions)					
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
General Funds Budget Basis Accounts Payable ¹	\$5,024	\$4,142	\$4,005	\$3,521	\$3,789
General Funds Section 25 Liabilities ²	2,778	1,864	1,622	1,598	3,307
Total General Funds Accounts Payables	7,802	6,006	5,627	5,119	7,096
Section 25 Liabilities - Other State Funds	850	489	429	316	956

- As of September 30, 2017, the Comptroller was holding \$9.06 billion in unpaid General Funds vouchers and pending transfers
 - This amount is bills on hand at the Comptroller's office and does not include bills that the agencies are holding
 - The Comptroller has estimated that approximately \$6.1 billion in bills are on hold at the State agencies

Table Source: Illinois Office of the Comptroller data. ¹ This amount consists of General Funds Lapse Period Transactions as reported in the Traditional Budgetary Financial Report. ² Section 25 Liabilities are incurred in one fiscal year and payable from future fiscal year appropriations. This amount is the General Funds portion of Section 25 liabilities and is released with the State's CAFR.

3. Pensions

Pension Overview

- The State provides funding for five systems – the Teachers’ Retirement System, the State Universities Retirement System, the State Employees’ Retirement System, the Judges’ Retirement System and the General Assembly Retirement System
- Actuarial Assets as of FY 2016 for the 5 systems combined are \$81.5 billion and the Asset Market Value is \$78.2 billion. FY 2017 valuation results will be available in early November 2017
- The State Retirement Systems, in aggregate, were funded at 39.2% as of FY 2016 based on the asset smoothing method and 37.6% using asset market value; individual percentages for each fund vary
- FY 2017 State contributions to the retirement systems totaled \$7.68 billion
- The systems are required to be 90% funded by 2045

History of Employer Contributions (\$millions)

Fiscal Year	Amount Contributed ¹	ARC Per GASB ²	Percentage Contributed
2013	5,893.87	7,015.33	84.01%
2014	6,944.73	7,751.99	89.59%
2015	7,020.06	7,896.83	88.90%
2016	7,501.89	8,388.42	89.43%

Investment Rate of Return Assumptions Used by the Retirement Systems

	2009	2016
TRS	8.50%	7.00%
SURS	8.50%	7.25%
SERS	8.50%	7.00%
GARS	8.00%	6.75%
JRS	8.00%	6.75%

Notes: Annual Actuarial valuations of the Retirement Systems as of June 30, 2016. Comprehensive Annual Financial Reports of the Retirement Systems for the fiscal years ending June 30, 2005 through June 30, 2016.

1. Includes all State Funds; 2. Fiscal Year 2016 reflects the Actuarially Determined Contribution (ADC) under GASB 67/68 instead of the ARC. All systems are using a 30-year open amortization period for calculating their ADC

Pension Update

Senate Bill 42 (P.A. 100-0023) Includes Several Reforms to Illinois' Pension Systems

- **Introduction of Tier 3 Optional Hybrid Plan** - Tier 3 will offer a hybrid DB and DC plan
 - The small defined benefit has a multiplier of 1.25% of pensionable salary per years of service
 - In addition to the defined benefit, members of Tier 3 will get a defined contribution plan
 - Employees are to contribute a minimum of 4% of their salary and employers are to contribute no less than 2%, but no more than 6% of salary
 - The systems do not expect to implement the Tier 3 plan within FY 2018 and are not projecting an implementation date
- **Local Cost Shift** - One key aspect of Tier 3 reforms is that school districts, universities and community colleges will assume the normal costs of benefits for their new hires upon implementation of a Tier 3 plan, regardless of whether the employee chooses a Tier 3 Optional Hybrid benefit or a more traditional Tier 2 defined benefit plan
 - To smooth the transition to Tier 3, the State will supplement the costs of local employers by paying 2% of employee payroll through fiscal year 2020 for all members of Tier 3
 - Additionally, starting July 1, 2017 local employers in SURS and TRS will also assume the normal cost of benefits for the portion of benefits attributable to all members' salaries that exceed the Governor's salary
- **5-Year Smoothing of Contributions** - If systems change their actuarial assumptions, P.A. 100-0023 also contains reforms to how the State realizes those changes in its contributions
 - Beginning in FY 2018, the impact on the State's contributions from any changes each year in actuarial assumptions is smoothed over 5 years. Smoothing in FY 2018 reflects the impact of changes from FY 2014-FY 2017
- The State's FY 2018 original certified contributions in January 2017 totaled \$8.843 billion of all funds, of which \$7.813 billion was general funds
 - As required by SB42, the systems will recertify the State's FY 2018 contributions taking into account the changes made in the new legislation
 - The recertified FY 2018 State contributions is expected to total \$7.910 billion of all funds, of which \$6.983 billion is general funds

4. Debt Overview and Plan of Finance

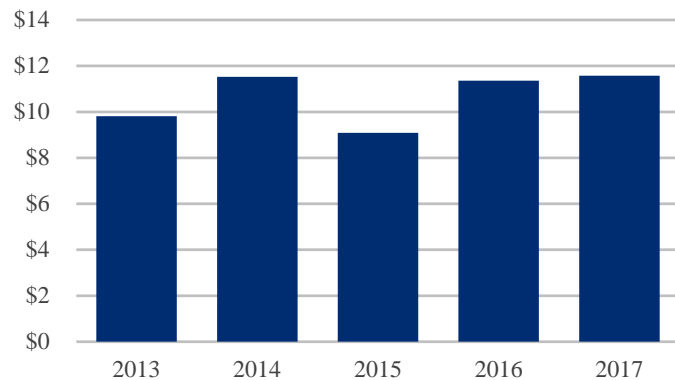
Security for Illinois General Obligation Bonds

<p>Security</p>	<ul style="list-style-type: none"> • The full faith and credit of the State is pledged for the punctual payment of principal and interest under the Bond Act <ul style="list-style-type: none"> – The State can draw from all State funds in the State Treasury that are not restricted by law to another use if needed to pay debt service on GO bonds
<p>Statutorily Mandated Debt Service Set Asides (GOBRI)</p>	<ul style="list-style-type: none"> • Under the Bond Act, monthly transfers are made from various State funds to the General Obligation Bond Retirement and Interest Fund (GOBRI), in amounts sufficient to pay the next interest and principal payments when due, which effectively results in the State transferring 1/12th of the next principal payment and 1/6th of the next interest payment every month • GOBRI is a separate fund in the Treasury that can be applied to debt service payable on GO bonds and short-term debt
<p>Continuing Appropriation of Funds</p>	<ul style="list-style-type: none"> • The Bond Act requires the Governor to include an appropriation in each annual budget of monies in an amount necessary to pay all principal and interest due and further requires the General Assembly to make appropriations annually to pay debt service on outstanding GO Bonds from GOBRI • In the absence of appropriations, the Bond Act itself constitutes an irrevocable and continuing appropriation of all amounts necessary to pay principal and interest • Principal and interest on all outstanding GO Bonds must be paid even in the absence of a State budget
<p>Additional Protection under Illinois Constitution and State Laws</p>	<ul style="list-style-type: none"> • The Bond Act explicitly provides bondholders the remedy to sue the State to compel payment of GO bonds • The provisions of the Bond Act, pledging the full faith and credit of the State to GO bonds issued thereunder, are by their terms irrevocable to any outstanding GO bonds • The Illinois Constitution contains a “non-impairment” clause that prohibits action by the General Assembly that would, under contract law, impair the obligations of a contract between the State and its bondholders

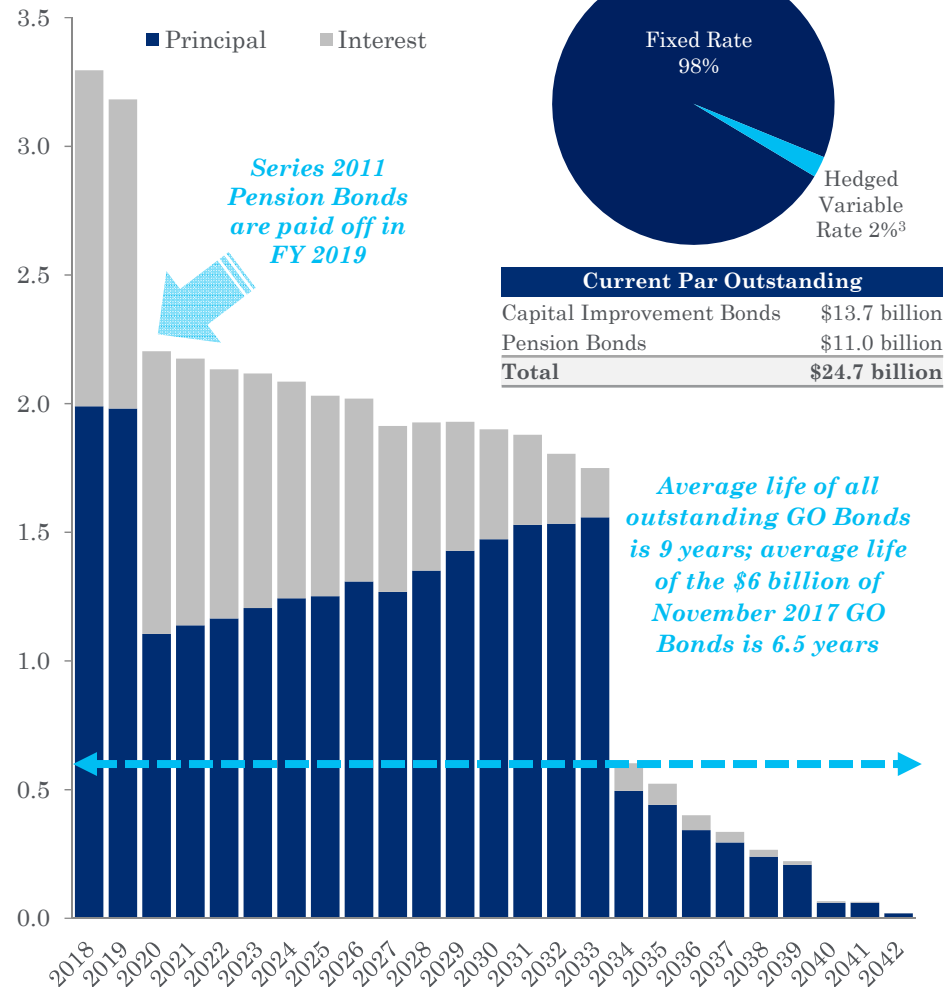
General Obligation Bond Overview

- The State transfers from General Funds to GOBRI in FY 2018 will average approximately \$250 million a month following the issuance of the 2017ABC Bonds, the 2017D Bonds and the Capital Projects Bonds¹
 - General Funds State Source Revenues available to make General Revenue Fund debt service total approximately \$2.6 billion per month on average providing 10.4x debt service coverage
- Transfers to the GOBRI fund were \$3.132 billion in FY 2017
 - The cash balance in the GOBRI Fund was \$1.387 billion on September 30, 2017
 - Approximately \$2.816 billion in transfers from General Funds to GOBRI are estimated for FY 2018 with the balance expected to come from other State funds
- As of FYE 2017, the State’s total cash balance was \$11.567 billion

Fiscal Year All Fund Cash Balances (\$billions)²



General Obligation Debt Service (as of 6/30/2017) (\$billions)

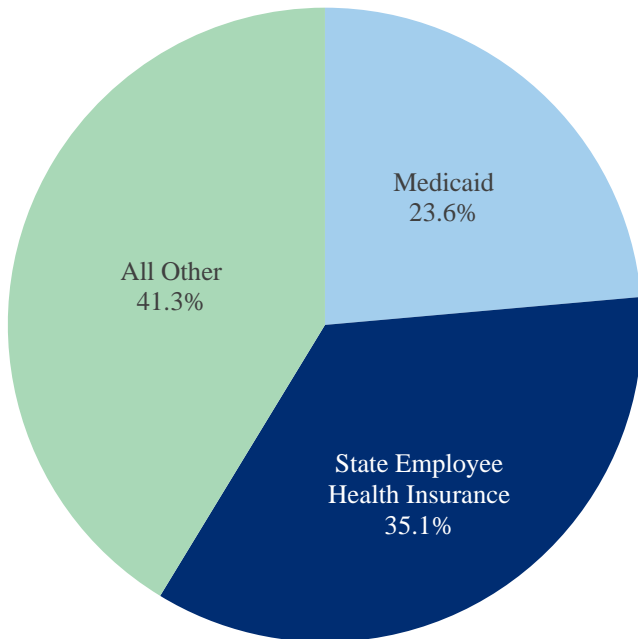


Source: Illinois Office of the Comptroller and the Governor’s Office of Management and Budget. 1. The State plans to price one or more series of General Obligation Bonds for capital projects and information technology projects, estimated at \$750 million, before December 31, 2017. 2. Does not include Federal Trust Funds. Includes GOBRI. June 30, 2016 balances show an increase from FY 2015 due in part to the late enactment of FY 2016 appropriations for many State funds. 3. Rating-based unwind triggers on hedges all modified to sub-investment grade rating levels of below “BB+” by S&P or “Ba1” by Moody’s.

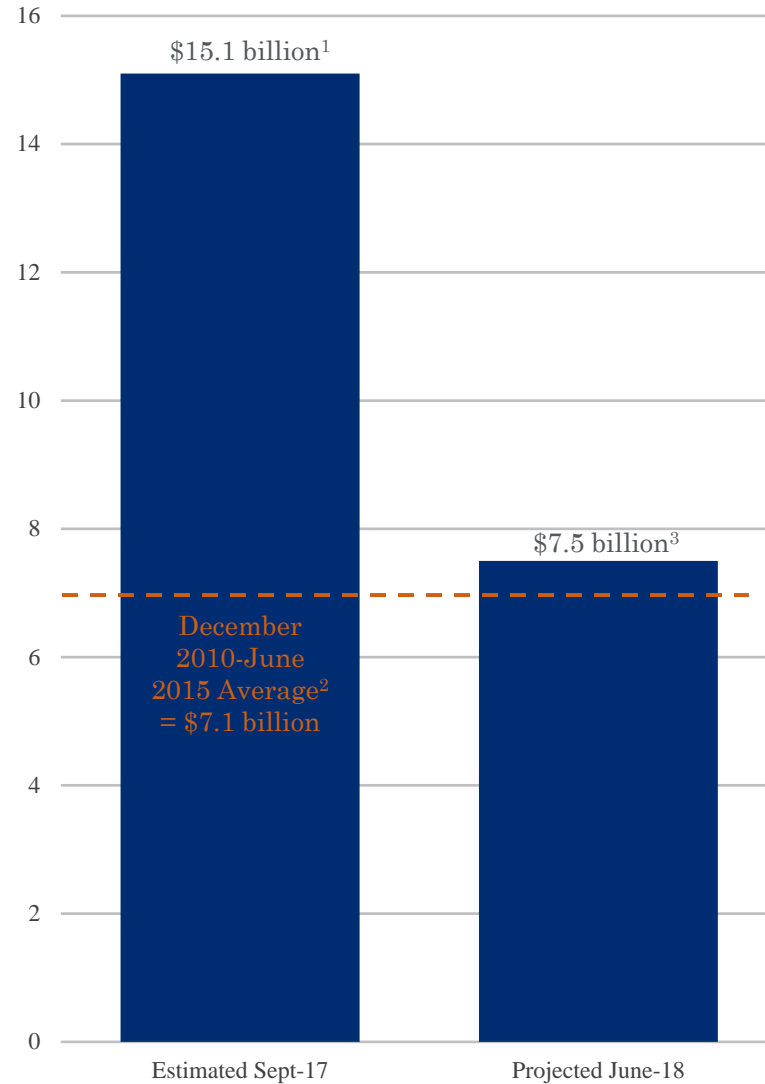
Impact of the Financing on the Bill Backlog

- The State is taking prudent and meaningful steps to reduce the amount of outstanding bills
- The State’s bill backlog has increased from approximately \$5 billion at the end of FY 2015 to approximately \$15.1 billion as of September 30, 2017¹
 - Estimated balance of the backlog at the end of FY 2018, as a result of the financing and application of federal funds, will be \$7.5 billion, a nearly 50% reduction in the outstanding payables

GOMB Estimate Composition of the Bill Backlog (August 2017)



Estimated Bill Backlog (\$billions)



Source: State’s Office of the Comptroller and GOMB Estimates; 1. Comprised of \$9.06 billion at the State Comptroller’s office and Comptroller estimate of \$6.1 billion held at State Agencies as of September 30, 2017. 2. Takes into account Comptroller estimates from December 31 and June 30 of each year when calculating the average. 3. GOMB estimates.

Transaction Overview

- The State is selling the \$1.5 billion Series of November 2017ABC Bonds on a competitive basis
 - The 2017ABC Bonds will be concurrently marketed with the \$4.5 billion* 2017D Bonds to be sold on a negotiated basis during the week of October 23rd

General Obligation Bonds, Series of November 2017ABC*	
Estimated Size	Series A (2018): 500,000,000 Series B (2019): 500,000,000 Series C (2029): 500,000,000 Total: \$1,500,000,000
Method of Sale	Competitive
Use of Proceeds	To provide funds to pay vouchers previously incurred by the State and to pay costs of issuance
Tax Status	Federally Tax-Exempt, State of Illinois Taxable
Coupon	Fixed Rate
Amortization	Serial bonds due on November 1, 2018-2019, and November 1, 2029
Interest Payment Dates	May 1 and November 1, commencing May 1, 2018
Redemption Features	10-Year Par Call (Series C)
Security and Repayment Source	Direct, full faith and credit general obligations of the State pursuant to the General Obligation Bond Act (the "Bond Act"). The provisions of the Bond Act are irrevocable until all bonds issued under the Bond Act, including the Bonds, are paid in full as to both principal and interest.
Ratings	Expected by October 11, 2017
Sale Date	October 17, 2017
Closing Date	November 8, 2017
Financial Advisor	PFM and PRAG

Preliminary Amortization (\$000s)	
Maturity (November 1 st)	November 2017ABC (Competitive)
2018	\$ 500,000
2019	500,000
2029	500,000
Total	\$1,500,000

- **Future Financings**
 - The State plans to price one or more series of General Obligation Bonds for capital projects and information technology projects, estimated at \$750 million, before December 31, 2017

*Preliminary, subject to change.

5. Timeline and Contacts

Tentative Transaction Timeline and Contacts

Date*	Event*	October 2017							November 2017						
		Su	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa
October 11 th	Ratings Expected														
October 11 th	Post Series of November 2017D POS	1	2	3	4	5	6	7				1	2	3	4
October 17 th	Series of November 2017ABC Sale	8	9	10	11	12	13	14	5	6	7	8	9	10	11
October 13 th –25 th	Available for One-On-One Meetings	15	16	17	18	19	20	21	12	13	14	15	16	17	18
Week of October 23 rd	Series of November 2017D Sale	22	23	24	25	26	27	28	19	20	21	22	23	24	25
November 8 th	Closing	29	30	31					26	27	28	29	30		

State of Illinois

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*Preliminary, subject to change.