ILLINOIS FINANCE AUTHORITY

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January 18, 2011

TO: William A. Brandt, Jr., Chairman
Dr. William Barclay
Gila J. Bronner
Ronald E. DeNard
John E. Durburg
James J. Fuentes
Norman M. Gold
Dr. Roger D. Herrin
Michael W. Goetz, Vice Chairman
Edward H. Leonard, Sr.
Joseph McInerney
Terrence M. O'Brien
Heather D. Parish
Roger E. Poole
Bradley A. Zeller

RE: Message from the Executive Director

Dear Members of the Authority:

As we begin calendar year 2011, we look forward to continuing to spur economic development throughout Illinois, working with our many partners in local, state and federal government as well as in the private sector.

We take this opportunity to congratulate Governor Pat Quinn as well as the other Illinois constitutional officers, Lieutenant Governor Sheila Simon, Attorney General Lisa Madigan, Secretary of State Jesse White, Comptroller Judy Barr Topinka and Treasurer Dan Rutherford on their inaugurations.

I also thank both Governor Quinn for nominating me and all of you, the Members of the Illinois Finance Authority ("IFA"), for selecting me to serve a second term as IFA Executive Director. I appreciate the confidence that you have placed in me and look forward to working with all of you to retain and create jobs by facilitating access to lower-cost capital. I am particularly proud of how the IFA has worked with Governor Quinn to successfully implement key provisions of his 2009 Jobs Plan over the past twelve months.

We also congratulate the members of the new 97th General Assembly as well as their leaders, Senate President John J. Cullerton and House Speaker Michael J. Madigan as well as Senate Minority Leader Christine Radogno and House Minority Leader Tom Cross. The IFA had a very productive working relationship with the Illinois General Assembly during the 96th General Assembly and looks forward to continuing this relationship with the current legislature.

Finally, we congratulate U.S. Senator Mark Kirk on joining senior U.S. Senator Dick Durbin and the new and returning members of Illinois federal delegation in Congress. The IFA's major role is as conduit issuer of federally tax-exempt debt. Accordingly, IFA's ability to fulfill its mission to retain and create jobs is deeply intertwined with the policies established in Washington DC.

Fiscal Year 2011 Plan: the half-way point

To date, we have been successful in our plan to focus on the IFA's core revenue, organizational and reputational strength as our state's conduit issuer of federally tax-exempt debt. Consistent with the goals set out in July of 2010, the IFA has the following accomplishments:

- The Healthcare Sector, both the financing of hospitals and of continuing care retirement communities ("CCRC"), remained essential to the mission and revenue pictures of the IFA. Hospital financing accounted for 33.9% and CCRC accounted for 31% of bond principal issued by the IFA since the start of Fiscal Year 2011 on July 1, 2010.

- In the Business, Industry, Higher Education and General 501 (c) (3) Sector, the IFA successfully used a variety of federal financing tools to assist a diverse portfolio of borrowers, including:

    - Peoples Gas through the first two gas supply projects closed in Illinois in years;
    - Closed three industrial revenue bonds since July 1, 2010, up from zero in the prior Fiscal Year;
    - Centerpoint through the first Federal Freight Transfer project closed in Illinois;
    - KONE through the first Midwest Disaster Area project closed in Illinois;
    - East-West University on its first conduit borrowing;
    - Navistar's corporate headquarters as well as storage, distribution, manufacturing, energy and hotel projects through the eight pooled Recovery Zone Facility projects (Public Act 96-1020); and
    - Closed 17 projects between December 16 and December 30, 2010, primarily due to the expiration of federal financing tools, including the Recovery Zone ("RZ") program, Bank Qualification ("BQ"), Federal Home Loan Bank Letter of Credit ("FHLB LOC") and the Alternative Minimum Tax Exemption for private activity bonds ("AMT exemption").

- Maintained a strong presence in the Agricultural sector - closing 26 individual Beginning Farmer Bonds since July 1, 2010.

- Strengthened the oversight of the participation loan portfolio and reduced the IFA's exposure in this sector.

- Strengthened the oversight of the agricultural loan guarantee portfolio and increased the reserves allocated against this portfolio. Public Act 96-897. In particular, the retroactive resumption of the federal biodiesel blenders' tax credit for 2010 and 2011 and a recent federal court decision in favor of the Renewable Fuels Standard have reduced the risk that certain State-back loan guarantees will be called upon.

- Completed a valuation of the IFA venture capital portfolio and embarked on a course of action to manage this in the future. Of note, on January 4, 2011, IFA closed on the sale of one venture capital investment, SmartSignal.

- The acceptance of the 2009 IFA compliance examination and financial audit, conducted on behalf of the Illinois Office of the Auditor General by the Legislative Audit Commission on its November 2010 consent calendar.

Fiscal Year 2011 Challenges

It is anticipated that the challenging economic environment will continue to impact borrowers' decisions as to proceed with federally tax-exempt bond financings. The anticipated upward movement of interest rates will also impact these decisions by borrowers.

On the federal level, the expiration of financing tools such as the RZ program, BQ, FHLB LOC and the AMT exemption will reduce the universe of projects eligible for federally tax-exempt conduit financing. Also, the policy of tax-exempt financing has recently been questioned at the federal level. See, e.g. *The National Commission on Fiscal Responsibility and Reform: The Moment of Truth*, p. 31. Finally, recent proposed changes by the Securities and Exchange Commission ("SEC") may increase the cost and obstacles to the use of tax-exempt conduit financing to retain and create jobs by diverse corporate and not-for-profit borrowers. These proposed changes by the SEC will be discussed more fully in today's meeting.

The IFA hopes to expand the use of two federal financing tools that remain in effect, Midwest Disaster Area Bonds and Qualified Energy Conservation Bonds, over the coming months. Finally, the IFA will continue to devote resources to fully implementing a cost-effective energy efficiency financing program as well as a Medicaid receivables financing program.

Conclusion

I look forward to working with all of you and our partners at the federal and state levels to retain and create jobs for all of Illinois.

Respectfully,

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Christopher B. Meister

Attachments:

Attachment 1 – General Fund, Financial Results, Consolidated Balance Sheet and Audit Tracking Schedule

Attachment 2 – Schedule of Debt; FY'11 Closed Projects

Attachment 3 – Month by Month Summary of Conduit Bond Issuances

Illinois Finance Authority
FY09 Audit Finding: Material
Update as of December 31, 2010

Number of Material Findings - 1

Item Number	Description	Finding Type	Comments	Percentage Completed
Government Auditing Standards:				10 20 30 40 50 60 70 80 90 100
09-01	**Valuation of Venture Capital Investments**	Significant Deficiency	**Auditor Recommendation:** The IFA has not had an independent valuation of its venture capital investments since fiscal year 2006. We recommend the Authority obtain an independent valuation of the investment portfolio periodically in order to support the amounts recorded and disclosed in the financial statements. **Authority Response:** The Authority accepted the auditor's recommendation. The Authority has procured a vendor and the valuation of the venture capital portfolio is underway.	

Illinois Finance Authority
FY09 Audit Finding: Immaterial
Update as of December 31, 2010

Item Number	Description	Percentage Completed 10 20 30 40 50 60 70 80 95 100
Total Number of 4		
FY 09 Immaterial Findings		
IM09-01	Failure to Report Revenue Bond Information to the Illinois Office of the Comptroller	
IM09-02	Inaccurate Agency Report of State Property (C-15)	
IM09-03	Lack of Disaster Contingency Testing to Ensure Recovery of Computer Systems	
IM09-04	Weaknesses Regarding the Security and Control of Confidential Information	

Bonds Issued and Outstanding as of December 31, 2010

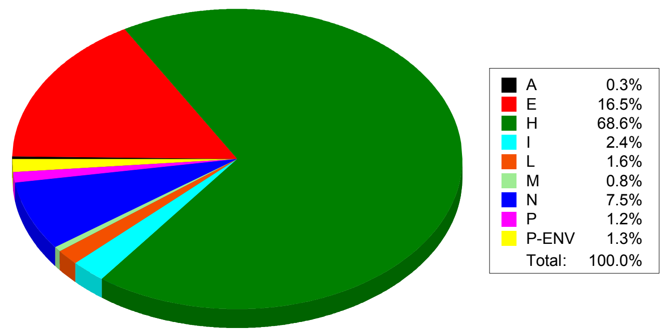
Bonds Issued Since Inception of Illinois Finance Authority

#	Market Sector	Principal Amount ($)
319	Agriculture **	61,109,881
100	Education	3,850,158,100
326	Healthcare *	16,022,288,508
86	Industrial	931,142,853
27	Local Government	378,145,000
19	Multifamily/Senior Housing	175,417,900
131	501(c)(3) Not-for Profits	1,717,098,195
8	Exempt Facilities Bonds	275,700,000
9	Environmental issued under 20 ILCS 3515/9	326,630,000
		$ 23,737,690,437

* Includes CCRC's

** Number of Agriculture bonds has been adjusted to reflect the actual number of Beginner Farmer Bonds issued.

Bonds Issued Since Inception

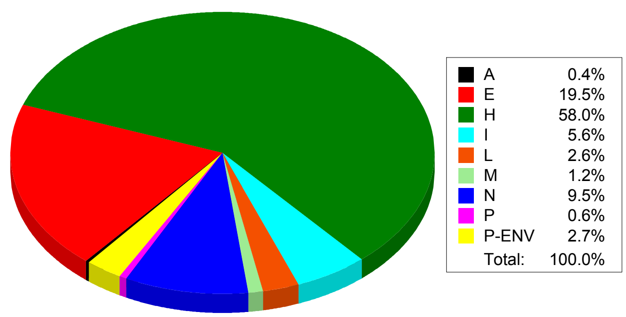


Schedule of Bonds Outstanding by Market Sector
Includes IFA and it's Predecessor Authorities

Market Sector	Amount of Original Issue	Principal Outstanding
Agriculture	299,579,587	92,846,613
Education	5,433,350,730	4,854,763,512
Healthcare *	16,473,242,337	14,458,782,219
Industrial	1,588,772,853	1,385,633,100
Local Government	1,135,309,413	659,442,146
Multifamily/Senior Housing	742,915,396	305,785,468
501(c)(3) Not-for Profits	2,874,624,996	2,357,146,307
Exempt Facilities Bonds	155,360,000	155,160,000
Environmental issued under 20 ILCS 3515/9	770,475,000	673,486,518
	$ 29,473,630,311	$ 24,943,045,882

* Includes CCRC's

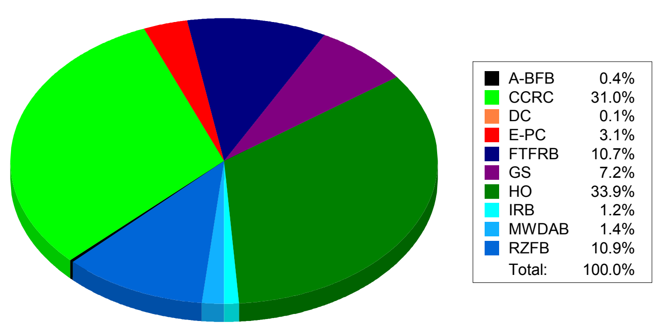
Principal Outstanding by Market Sector



Current Fiscal Year

#	Market Sector	Principal Issued
26	Agriculture - Beginner Farmer	4,525,669
3	Education	43,900,000
1	Financially Distressed Cities	1,985,000
2	Freight Transfer Facilities Bonds	150,000,000
2	Gas Supply	100,000,000
12	Healthcare - Hospital	497,820,000
16	Healthcare - CCRC	458,705,000
3	Industrial Revenue	17,329,184
1	Midwest Disaster Area Bonds	20,200,000
2	501(c)(3) Not-for-Profit	7,700,000
8	Recovery Zone Facilities Bonds	211,488,000
77		$ 1,513,652,853

Bonds Issued - Current Fiscal Year



Bonds Issued between July 01, 2010 and December 31, 2010

Bond Issue		Date Issued	Initial Interest Rate	Principal Issued	Bonds Refunded
A-BFB	Beginner Farmer Bonds, Series 2011	07/01/2010	Various-See Below	4,525,669	0
HO	NorthShore University HealthSystem, Series 2010	07/14/2010	2.00% to 5.25%	136,425,000	115,800,000
CCRC	The Clare at Water Tower, Series 2010A&B	07/15/2010	5.10% to 6.125%	87,505,000	87,505,000
CCRC	Christian Homes, Inc., Series 2010	07/29/2010	3.40% to 6.125%	25,000,000	8,090,000
IRB	Bison Gear & Engineering Corporation, Series 2010	07/29/2010	VRB 0.32%	9,230,000	0
HO	Institute for Transfusion Medicine, Series 2010	07/29/2010	VRB 3.60%	26,500,000	0
GS	Peoples Gas Light and Coke Company, Series 2010A	08/18/2010	VRB 2.125%	50,000,000	0
RZFB	Annex II, LLC - Rock City Development, Series 2010	08/24/2010	6.00%	4,585,000	0
CCRC	Greenfields of Geneva, Series 2010A-C	08/31/2010	7.50% to 8.25%	117,600,000	9,185,000
HO	Provena Health, Series 2010C&D	09/22/2010	VRB 0.29%	72,000,000	0
GS	Peoples Gas Light and Coke Company, Series 2010B	10/05/2010	2.625%	50,000,000	50,000,000
IRB	Fabrication Technologies, Inc., Series 2010	10/15/2010	DP-VRB	5,140,000	0
HO	Little Company of Mary Hospital, Series 2010	10/20/2010	5.25% to 5.50%	72,000,000	0
HO	Beloit Health System, Series 2010	10/21/2010	VRB	37,895,000	40,325,000
RZFB	Navistar International Corporation, Series 2010	10/26/2010	6.50%	135,000,000	0
DC	City of East St. Louis, Series 2010	10/26/2010	3.00%	1,985,000	1,650,000
HO	Swedish Covenant Hospital, Series 2010	11/03/2010	DP 4.99%	20,000,000	0
HO	University of Chicago Medical Center, Series 2010A&B	11/09/2010	VRB 0.24%	92,500,000	0
CCRC	Admiral at the Lake, Series 2010A-E	11/19/2010	7.25% to 8.00%	202,350,000	0
RZFB	BPJ Investments, LLC - Nueco, Inc., Series 2010	12/16/2010	DP-VRB 4.00%	2,803,000	0
HO	Proctor Hospital, Series 2010	12/16/2010	DP-VRB 2.59202%	15,500,000	0
E-PC	The Old Town School of Folk Music, Inc., Series 2010	12/20/2010	DP-VRB 4.25%	10,000,000	0
MWDAB	KONE Centre, Series 2010	12/21/2010	DP-VRB 2.30%	20,200,000	0
FTFRB	CenterPoint Joliet Terminal Railroad, Series 2010A&B	12/21/2010	DP-VRB 2.1074%	150,000,000	0
E-PC	East-West University, Series 2010	12/22/2010	DP-VRB 2.025%	30,000,000	0
501(c)(3)	Quest Academy, Series 2010	12/22/2010	DP-VRB 1.987016%	3,200,000	0
RZFB	Rochelle Energy LLC, Series 2010	12/22/2010	DP 4.53%	10,000,000	0
E-PC	Illinois College, Series 2010	12/23/2010	DP 4.22%	3,900,000	0
IRB	Alef Sausage, Series 2010	12/23/2010	DP 4.25%	2,959,184	0
HO	Silver Cross Hospital & Medical Center, Series 2010	12/27/2010	DP-VRB 1.1973%	25,000,000	0
501(c)(3)	St. Francis High School College Preparatory, Series 2010	12/28/2010	DP-VRB 2.18%	4,500,000	0
RZFB	JH Naperville Hotel, LLC, Series 2010	12/28/2010	5.16%	30,000,000	0
RZFB	1200 Internationale Parkway, LLC, Series 2010	12/28/2010	DP-VRB 3.97%	3,500,000	0
CCRC	Mercy Circle, Series 2010	12/29/2010	DP-VRB 2.10%	26,250,000	0
RZFB	SMART Hotels/Olympia Chicago, Series 2010	12/30/2010	DP-VRB	21,500,000	0
RZFB	Mayo Properties, LLC, Series 2010	12/30/2010	DP-VRB 3.825%	4,100,000	0
		Total Bonds Issued in Fiscal Year 2011		**$ 1,513,652,853**	**$ 312,555,000**

Legend: Fixed Rate Bonds as shown
DP-VRB = initial interest rate at the time of issuance on a Direct Purchase Bond
VRB = initial interest rate at the time of issuance on a Variable Rate Bond that does not include the cost of the LOC arrangement.
Beginner Farmer Bonds interest rates are shown in section below.

Beginner Farmer Bonds

Borrower	Date Funded	Initial Interest Rate	Loan Proceeds	Acres	County
Stortzum, Brent A.	07/21/2010	4.25%	157,500	38.00	Effingham
Tolley, Daniel Steven	07/23/2010	4.50%	106,900	82.30	Knox
Justison, Keri L.	07/30/2010	4.25%	249,736	106.00	Montgomery
Justison, David M.	07/30/2010	4.25%	249,736	106.00	Montgomery
Will, Richard & Linda	07/30/2010	4.00%	206,712	71.30	Cumberland
Smithenry, Eric J.	07/30/2010	4.25%	135,000	20.00	Jasper
Stinnett, Sean & Cheryl	08/05/2010	4.75%	224,000	52.84	Macoupin
Alt, Lawrence & Loretta	08/12/2010	4.00%	100,000	26.67	Vermilion
Alt, James & Jo Ellen	08/12/2010	4.00%	102,667	26.67	Vermilion

Kopplin, Seth A.	08/16/2010	4.00%	184,000	73.62	Effingham
Gittleson, Brock	09/21/2010	4.46%	207,500	50.00	Lee
Mellendorf, Mark	09/21/2010	4.25%	25,200	20.00	Clay
Fritschle, Derek	10/07/2010	4.00%	125,000	78.00	Richland
Stahl, Rodney Lynn	10/25/2010	4.00%	122,500	50.00	Stark
Stahl, Kendall	10/25/2010	4.50%	137,500	50.00	Stark
Rosenthal, Darin T.	10/29/2010	4.00%	250,000	80.00	Montgomery
Stephens, Douglas & Cindy	11/05/2010	3.50%	240,000	60.00	Livingston
Stephens, Derek & Brynn	11/05/2010	3.50%	240,000	60.00	Livingston
Richter, Brett Alan	11/05/2010	2.76%	120,000	46.00	Clinton
Truckenbrod, Steven	11/18/2010	5.25%	104,000	40.00	Ogle
Elliott, Lee Wayne & Latisha	11/30/2010	4.25%	112,000	80.00	Jasper
Mattingly II, Douglas E.	12/27/2010	3.75%	77,120	30.00	Edgar
McLaughlin, Wade C.	12/27/2010	4.67%	150,000	60.70	Henry
Ridgely, Jordan	12/27/2010	3.95%	316,000	149.00	Hamilton
Werkheiser, Wade	12/27/2010	3.90%	345,330	161.00	Henry
Waldrop, Ryan D. & Heather D.	12/28/2010	4.25%	237,268	130.60	Lawrence
	Total Beginner Farmer Bonds Issued		**$ 4,525,669**	**1,748.70**	

AG Farm Purchase Guarantee	**Date Funded**	**Initial Interest Rate**	**Loan Proceeds**	**State Guarantee**
Kerber, Gregory & Jan	10/28/2010	5.85%	500,000	425,000
	Total AG Farm Purchase Guarantee		**$ 500,000**	**$ 425,000**
	Total Agriculture Guarantees		**$ 500,000**	**$ 425,000**

ILLINOIS FINANCE AUTHORITY

Schedule of Debt [a]

Conduit debt issued under the Illinois Finance Authority Act [20 ILCS 3501/845-5(a)] which does not constitute an indebtedness or an obligation, either general or moral, or a pledge of the full faith or a loan of the Authority, the State of Illinois or any Political Subdivision of the State within the purview of any constitutional or statutory limitation or provisions with special limited obligations of the Authority secured under provisions of the individual Bond Indentures and Loan Agreements with the exception of the bonds identified below in Section I (b) -- General Purpose Moral Obligation/State Component Parts -- which are subject to the $28.15B cap in Section 845-5(a).

Section I (a)

		Principal Outstanding June 30, 2010	Principal Outstanding December 31, 2010	Program Limitations	Remaining Capacity
Illinois Finance Authority "IFA"					
306	Agriculture	$ 46,455,000	$ 50,792,000		
91	Education	3,721,552,000	3,706,448,000		
234	Healthcare	10,851,968,000	11,588,407,000		
76	Industrial Development [includes Recovery Zone/Midwest Disas	345,870,000	837,616,000		
22	Local Government	264,060,000	259,285,000		
18	Multifamily/Senior Housing	157,979,000	159,328,000		
96	501(c)(3) Not-for Profits	1,313,239,000	1,300,963,000		
5	Exempt Facilities Bonds	130,500,000	130,300,000		
848	**Total IFA Principal Outstanding**	**$ 16,831,623,000**	**$ 18,033,139,000**		
Illinois Development Finance Authority "IDFA" [b]					
4	Education	42,196,000	41,506,000		
5	Healthcare	404,660,000	219,360,000		
70	Industrial Development	562,917,000	548,017,000		
35	Local Government	386,034,000	372,202,000		
16	Multifamily/Senior Housing	147,219,000	146,458,000		
100	501(c)(3) Not-for Profits	1,025,002,000	981,639,000		
1	Exempt Facilities Bonds	24,860,000	24,860,000		
227	**Total IDFA Principal Outstanding**	**$ 2,592,888,000**	**$ 2,334,042,000**		
Illinois Rural Bond Bank "IRBB" [b]					
17	Bond Bank Revenue Bonds	26,385,000	25,715,000		
1	Conduit Debt	2,390,000	2,240,000		
18	**Total IRBB Principal Outstanding**	**$ 28,775,000**	**$ 27,955,000**		
102	**Illinois Health Facilities Authority "IHFA"**	**$ 2,908,471,000**	**$ 2,651,016,000**		
49	**Illinois Educational Facilities Authority "IEFA"**	**$ 1,446,134,000**	**$ 1,419,157,000**		
561	**Illinois Farm Development Authority "IFDA" [f]**	**$ 42,055,000**	**$ 42,055,000**		
1,805	**Total Illinois Finance Authority Debt**	**$ 23,849,946,000**	**$ 24,507,364,000**	**$ 28,150,000,000**	**$ 3,642,636,000**

Issued under the Illinois Finance Authority Act [20 ILCS 3501/845-5(a)]

Section I (b)

		Principal Outstanding June 30, 2010	Principal Outstanding December 31, 2010	Program Limitations	Remaining Capacity
General Purpose Moral Obligations					
Illinois Finance Authority Act [20 ILCS 3501/801-40(w)]					
17	Issued through IRBB - Local Government Pools	$ 26,385,000	$ 25,715,000		
7	Issued through IFA - Local Government Pools	28,000,000	28,000,000		
2	Issued through IFA - Illinois Medical District Commission	40,000,000	39,640,000		
26	**Total General Moral Obligations**	**$ 94,385,000**	**$ 93,355,000**	**$ 150,000,000**	**$ 56,645,000**
Financially Distressed Cities Moral Obligations					
Illinois Finance Authority Act [20 ILCS 3501/825-60]					
3	Issued through IFA	$ 2,395,000	$ 3,825,000		
1	Issued through IDFA	4,660,000	3,565,000		
4	**Total Financially Distressed Cities**	**$ 7,055,000**	**$ 7,390,000**	**$ 50,000,000**	**$ 42,610,000**
State Component Unit Bonds [c]					
17	Issued through IRBB	$ 26,385,000	$ 25,715,000		
1	Issued through IDFA	14,580,000	13,890,000		
1	Issued through IFA	4,863,000	4,233,000		
19	**Total State Component Unit Bonds**	**$ 45,828,000**	**$ 43,838,000**		

Designated exclusive Issuer by the Governor of the State of Illinois to issue Midwest Disaster Area Bonds in Illinois, February 11, 2010.

Section I (c)

		Principal Outstanding June 30, 2010	Principal Outstanding December 31, 2010	Program Limitations	Remaining Capacity
1	**Midwest Disaster Bonds [Flood Relief]**	**$ -**	$ 20,200,000	**$ 1,515,271,000**	**$ 1,495,071,000**

Designated by the Governor of the State of Illinois to manage and coordinate the re-allocation of Federal ARRA Volume Cap and the issuance of Recovery Zone Bonds in the State of Illinois to fully utilize RZBs before December 31, 2010.

Section I (d)

		ARRA Act of 2009 Volume Cap Allocated [h]	City/Counties Ceded Voluntarily to IFA	Bonds Issued as of December 31, 2010	Available "Ceded" Volume Cap
-	**Recovery Zone Economic Development Bonds;**	**$ 666,972,000**	**$ 16,940,000**	**$ 12,900,000**	**$ 4,040,000**
8	**Recovery Zone Facilities Bonds**	**$ 1,000,457,000**	**$ 292,400,000**	**$ 218,755,000**	**$ 73,645,000**
-	**Qualified Energy Conservation Bonds**	**$ 133,846,000**	**$ -**	**$ -**	**$ -**

Issued under the Illinois Finance Authority Act [20 ILCS 3501/845-5(b)]

Section II

	Principal Outstanding June 30, 2010	Principal Outstanding December 31, 2010	Program Limitations	Remaining Capacity
Illinois Power Agency	**$ -**	**$ -**	**$ 4,000,000,000**	**$ 4,000,000,000**

ILLINOIS FINANCE AUTHORITY

Schedule of Debt [a]

Illinois Finance Authority Act [20 ILCS 3501 Section 825-65(f); 825-70 and 825-75] - see also P.A. 96-103 effective 01/01/2010

Section III		Principal Outstanding June 30, 2010	Principal Outstanding December 31, 2010	Program Limitations	Remaining Capacity
Clean Coal, Coal ,Renewable Energy and Efficiency Projects	**Energy**	$ -	$ -	$ 3,000,000,000 [d]	$ 3,000,000,000

Issued under the Illinois Finance Authority Act [20 ILCS 3501 Sections 830-25 (see also P.A.96-103); 830-30; 830-35; 830-45 and 830-50]

Section IV		Principal Outstanding June 30, 2010	Principal Outstanding December 31, 2010	Program Limitations	Remaining Capacity	State Exposure
	Agri Debt Guarantees [Restructuring Existing Debt]	$ 20,300,000	$ 18,796,000	$ 160,000,000	$ 141,204,000	$ 15,937,000
97	**Fund # 994 - Fund Balance $ 9,940,751**					
	AG Loan Guarantee Program	$ 47,229,000	$ 44,999,000	$ 225,000,000 [e]	$ 180,001,000	$ 32,541,000
55	**Fund # 205 - Fund Balance $ 7,651,586**					
12	Agri Industry Loan Guarantee Program	$ 11,104,000	$ 10,447,000			8,880,000
1	Renewable Fuels	24,445,000	23,634,000			14,381,000
2	Farm Purchase Guarantee Program	491,000	991,000			842,000
29	Specialized Livestock Guarantee Program	8,625,000	7,493,000			6,369,000
11	Young Farmer Loan Guarantee Program	2,564,000	2,434,000			2,069,000
152	**Total State Guarantees**	$ 67,529,000	$ 63,795,000	$ 385,000,000	$ 321,205,000	$ 48,478,000

Issued under the Illinois Finance Authority Act [20 ILCS 3501 Sections 825-80 and 825-85

Section V			Principal Outstanding June 30, 2010	Principal Outstanding December 31, 2010	Appropriation Fiscal Year 2011	Fund Balance
116	Fire Truck Revolving Loan Program	**Fund # 572**	$ 18,730,135	$ 17,515,298	$ 6,003,342	$ 2,511,013
10	Ambulance Revolving Loan Program	**Fund # 334**	$ 993,200	$ 832,213	$ 7,006,800	$ 590

Note: Due to deposits in transit, the Cash Balance at the Illinois Office of the Comptroller may differ from the Illinois Finance Authority's General Ledger.

Issued under the Illinois Environmental Facilities Financing Act [20 ILCS 3515/9]

Section VI		Principal Outstanding June 30, 2010	Principal Outstanding December 31, 2010	Program Limitations	Remaining Capacity
	Environmental [Large Business]				
9	Issued through IFA	316,440,000	$ 316,197,000		
19	Issued through IDFA	372,065,000	357,290,000		
28	**Total Environmental [Large Business]**	$ 688,505,000	$ 673,487,000	$ 2,425,000,000	$ 1,751,513,000
	Environmental [Small Business]	-	$ -	$ 75,000,000	$ 75,000,000
28	**Total Environment Bonds Issued under Act**	$ 688,505,000	$ 673,487,000	$ 2,500,000,000	$ 1,826,513,000

Illinois Finance Authority Funds at Risk

Section VII #		Original Amount	Principal Outstanding June 30, 2010	Principal Outstanding December 31, 2010
	Participation Loans			
50	Business & Industry	23,020,157.95	17,018,322.85	14,218,703.39
22	Agriculture	6,079,859.01	4,969,295.79	4,640,356.14
72	**Participation Loans exluding Defaults & Allowances**	$ 29,100,016.96	$ 21,987,618.64	$ 18,859,059.53
			Plus: Legacy IDFA Loans in Default	1,143,112.67
			Less: Allowance for Doubtful Accounts	3,736,072.86
			Total Participation Loans	$ 16,266,099.34
1	**Illinois Facility Fund**	$ 1,000,000.00	$ 1,000,000.00	$ 1,000,000.00
4	**Local Government Direct Loans**	$ 1,289,750.00	$ 1,781,154.98	$ 294,526.74
5	**FmHA Loans**	$ 963,250.00	$ 580,213.44	$ 339,197.83
2	**Renewable Energy [RED Fund]**	$ 2,000,000.00	$ 1,819,903.95	$ 1,719,655.10
84	**Total Loans Outstanding**	$ 34,353,016.96	$ 27,168,891.01	$ 19,619,479.01

[a] Total subject to change; late month payment data may not be included at issuance of report.

[b] State Component Unit Bonds included in balance.

[c] Does not include Unamortized issuance premium as reported in Audited Financials.

[d] Program Limitation reflects the increase to $3 billion effective 01/01/2010 under P.A. 96-103.

[e] Program Limitation reflects the increase from $75 million to $225 million effective 01/01/2010 under P.A. 96-103.

[f] Beginner Farmer Bonds are currently updated annually; new bonds will be added under the Illinois Finance Authority when the bond closes.

[g] Midwest Disaster Bonds - Illinois Counties eligible for Midwest Disaster Bonds include Adams, Calhoun, Clark, Coles, Crawford, Cumberland, Douglas, Edgar, Hancock, Henderson, Jasper, Jersey, Lake, Lawrence, Mercer, Rock Island, Whiteside and Winnebago.

[h] Recovery Zone Bonds - Federal government allocated volume cap directly to all 102 Illinois counties and 8 municipalities with population of 100,000 or more. [Public Act 96-1020]

[i] IFA is working with all of the 110 entities to encourage voluntary waivers to ensure that these resources are used to support project financing before the program expires on December 31, 2010.

MEMORANDUM

TO: Christopher Meister
Executive Director

FROM: Brendan Cournane
General Counsel

RE: SEC Rule 15B – Municipal Advisors

DATE: January 14, 2011

SEC Proposed Rule Change

Definition of "Municipal Advisor"

- December 20, 2010 – SEC proposed a change to Rule 15B of the Securities Exchange Act of 1934
- Of particular interest is a change in the definition of "municipal advisor" within the meaning of the SEC Rule
- Under the Rule change – elected officials and employees of municipal entities are excluded from the definition of a "municipal advisor" **BUT** appointed members of a governmental body (***such as Board members of the Illinois Finance Authority*** – emphasis added) are included within the definition
- Ramifications of Board members being classified as municipal advisors –
    - Requires registration of Board members with the SEC (and potentially the MSRB) as municipal advisors
    - Cost of registration
    - Potential liability under securities laws for action taken at Board level

In December 2010 the Securities and Exchange Commission (the "SEC") proposed a rule changed implementing requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act. The proposed Rule Change to Rule 15B of the Securities Exchange Act of 1934 makes it unlawful for "municipal advisors" to provide certain advice to or on behalf of a municipal entity without first registering with the SEC.

Registration requires a registration fee and carries with it certain potential liabilities under securities laws. This is the case with financial advisors, investment bankers and broker-dealers who work on bond transactions through the Illinois Finance Authority (the "IFA").

The IFA is a municipal entity under the securities rules. Employees of a municipal entity such as the IFA are excluded from the definition of municipal advisors. Heretofore, Board members of entities such as the IFA have not been deemed to be municipal advisors.

Under the proposed rule change, the SEC states:

> "Employees of a municipal entity should also include appointed members of a governing body to the extent such appointed members are <u>ex officio</u> members of the governing body by virtue of holding elective office. The Commission does not believe that appointed members of a governing body of a municipal entity that are not elected <u>ex-officio</u> members should be excluded from the definition of "municipal advisor". The Commission believes that this interpretation is appropriate because employees and elected members are accountable to the municipal entity for their actions. In addition, the Commission is concerned that appointed members, unlike elected officials and elected <u>ex officio</u> members, are not directly accountable for their performance to the citizens of the municipal entity."

This proposed change to Rule 15B means that (i) each Board member would be required to register with the SEC and MSRB as 'municipal advisor', incurring registration costs and (ii) potential liability associated with municipal advisory work follows Board members for actions taken n the discharge of regular duties.

There is a period of time wherein the SEC requests comments on the Proposed Rule Change. The Executive Director and the General Counsel have been in discussion with representatives of trade groups discussing this Proposed Rule Change. We would like direction to continue such discussion and participate in the preparation of comments by various trade associations and to present comments to the SEC on behalf of the IFA.

SECURITIES AND EXCHANGE COMMISSION

17 CFR Parts 240 and 249

[Release No. 34-63576; File No. S7-45-10]

RIN 3235-AK86

Registration of Municipal Advisors

AGENCY: Securities and Exchange Commission.

ACTION: Proposed rule.

SUMMARY: Section 975 of Title IX of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") amended Section 15B of the Securities Exchange Act of 1934 (as amended, the "Exchange Act") to require municipal advisors, as defined below, to register with the Securities and Exchange Commission ("Commission" or "SEC") effective October 1, 2010. To enable municipal advisors to temporarily satisfy this requirement, the Commission adopted an interim final temporary rule and form, Exchange Act rule 15Ba2-6T and Form MA-T, effective October 1, 2010. Rule 15Ba2-6T will expire on December 31, 2011.

The Commission is proposing new rules 15Ba1-1 through 15Ba1-7 and new Forms MA, MA-I, MA-W, and MA-NR under the Exchange Act. These proposed rules and forms are designed to give effect to provisions of Title IX of the Dodd-Frank Act that, among other things, would establish a permanent registration regime with the Commission for municipal advisors and would impose certain record-keeping requirements on such advisors.

DATES: Comments should be received on or before [insert date 45 days after publication in the <u>Federal Register</u>].

ADDRESSES: Comments may be submitted by any of the following methods:

<u>Electronic comments</u>:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/proposed); or the engineer is preparing feasibility studies concerning municipal financial products or the issuance of municipal securities that include analysis beyond the engineering aspects of the project and, therefore, an engineer preparing such studies would be subject to registration as a municipal advisor.[138]

Employees of a Municipal Entity

Exchange Act Section 15B(e)(4)(A) provides that the term "municipal advisor" excludes employees of a municipal entity.[139] One commenter suggested that the Commission clarify that this exclusion from the definition of "municipal advisor" would include any person serving as an appointed or elected member of the governing body of a municipal entity, such as a board member, county commissioner or city councilman.[140] This commenter stated that because these persons are not technically "employees" of the municipal entity (but rather are "unpaid volunteers"), these persons would not fall within the exclusion from the definition of "municipal advisor" for "employees of a municipal entity" and, therefore, may have to register as municipal advisors.[141]

The Commission believes that the exclusion from the definition of a "municipal advisor" for "employees of a municipal entity" should include any person serving as an elected member of the governing body of the municipal entity to the extent that person is acting within the scope of his or

138 A "feasibility study" is a report detailing the economic practicality of and the need for a proposed capital program. It frequently analyzes demand for the product or service being sold and forecasts financial statements or other operating statistics. The feasibility study may include a user or other rate analysis to provide an estimate of revenues that will be generated for the purpose of substantiating that debt service can be met from pledged revenues. In addition, the feasibility study may provide details of the physical, operating, economic or engineering aspects of the proposed project, including estimates of construction costs, completion dates and drawdown schedules. See MSRB Glossary of Municipal Securities Terms, available at http://www.msrb.org/msrb1/glossary/glossary_db.asp?sel=f.

139 15 U.S.C. 78o-4(e)(4)(A).

140 See Kutak Rock Letter.

141 See id. See also 15 U.S.C. 78o-4(e)(4)(A).

her role as an elected member of the governing body of the municipal entity. "Employees of a municipal entity" should also include appointed members of a governing body to the extent such appointed members are ex officio members of the governing body by virtue of holding an elective office.[142] The Commission does not believe that appointed members of a governing body of a municipal entity that are not elected ex officio members should be excluded from the definition of a "municipal advisor." The Commission believes that this interpretation is appropriate because employees and elected members are accountable to the municipal entity for their actions. In addition, the Commission is concerned that appointed members, unlike elected officials and elected ex officio members, are not directly accountable for their performance to the citizens of the municipal entity.

*

Banks

Another commenter stated that the Commission should exempt from the definition of a "municipal advisor" banks providing "traditional banking services" and banks and trust companies that provide "investment advisory services."[143] As support, this commenter stated that banks are currently well-regulated and banks that offer trustee services are subject to rigorous and frequent

142 This would include persons appointed to fill the remainder of the term for an elective office.

143 See ABA Letter. In providing examples of the types of activities in which banks and trust companies engage, this commenter stated that: "[o]n the commercial side of the bank, these services and products include direct loans, checking accounts, and CDs. Banks of all sizes also frequently are asked to respond to RFP requests from municipal entities regarding investment products offered by the banking entity, such as interest-bearing bank deposits, money market mutual funds, or other exempt securities. Banks also are significant investors in the securities issued by municipalities and provide credit or, through their affiliates, underwriting services to municipalities when the city or township wants to buy a fire truck or build a new school or other similar facility. Furthermore, for over one hundred and fifty years, banks and trust companies have provided fiduciary services to municipal entities in the United States. In this capacity banks often manage investment accounts for local towns and act as trustees with respect to bond proceeds, escrow accounts, governmental pension plans and other similar capacities." Id.

Fn. 140

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WASHINGTON
WICHITA

September 28, 2010

JOHN J. WAGNER
john.wagner@kutakrock.com
(402) 231-8811

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Re: File No. S7-19-10

Ladies and Gentlemen:

This letter is in response to the request of the Securities and Exchange Commission (the "Commission") for comments on Rule 15Ba2–6T, the interim final temporary rule (the "Rule") that establishes a means for municipal advisors to temporarily satisfy the requirement that they register with the Commission as set forth in Release No. 34-62824 (the "Release").

We support the Commission's effort to implement a temporary registration system permitting municipal advisors to temporarily satisfy the registration requirement imposed by the Dodd-Frank Wall Street Reform and Consumer Protection Act and thereby continue their business after October 1, 2010; however we also believe that certain of the definitions are broader and more far-reaching than necessary and may possibly curtail the quality of services available to municipal entities.

Definition of Municipal Advisor

Accountants. Currently the Rule excludes certain professionals such as attorneys offering legal advice and engineers providing engineering advice, but does not contemplate a specific exclusion for accountants offering traditional accounting advice. Accountants are typically engaged by municipal entities in connection with an issuance of municipal securities for the purpose of consenting to the use of accountant prepared or audited financial statements and/or providing bring down or comfort letters relating to such financial statements, as they do in registered corporate offerings. In our opinion, accountants providing such traditional accounting services should be specifically excluded from the definition of "municipal advisor." These are basic and necessary services required by municipal entities as part of both their normal operations and their issuance of municipal securities, provided by professionals who are already highly regulated by the states and often even the Commission. However, we also recognize that accountants may be engaged by a municipal entity to provide services which are not traditional financial review services, such as conducting feasibility studies or preparing financial projections. The Commission should use its discretion in determining whether accountants performing such additional services should also be specifically excluded from the definition of "municipal advisor."

Board Members. The definition of "municipal advisor" excludes persons who are municipal entities or "employees of a municipal entity." However the definition does not automatically exclude a person who serves on the governing body of a municipal entity, such as a board member, a county commissioner or city councilman. Members of the governing body of a municipal issuer are often not technically "employees" of the municipal entity; many are unpaid "volunteers". Pursuant to the current reading of the definition, the municipal entity and a municipal employee would be exempt, but members of the governing board of the municipal entity might be required to register under the Rule. We suggest modifying the definition of "municipal advisor" to clarify that a person serving as an appointed or elected member of the governing body of a municipal entity is also excluded.

Broker-dealer underwriter exception. The Rule does not clearly address a situation where a registered broker-dealer is acting as an underwriter for a series of bonds, and in conjunction therewith provides the municipal issuer with structuring advice which also includes related parity bonds which are not being underwritten. For example, the Department of the Treasury has initiated a program with housing finance agencies (HFAs) whereby the Treasury buys HFA mortgage-backed bonds to support the provision of affordable mortgages for lower income persons. The Treasury has purchased of $18 billion of 30 year mortgage bonds issued by HFAs. The sale proceeds are held in a Treasury specified escrow investment, and can be released to finance mortgages only if and when (1) the HFA publicly sells parity mortgage bonds equal to at least two-thirds of the amount of the Treasury-owned bonds whose escrowed proceeds are being released, (2) the long-term rate and maturity of the Treasury held bonds are established based on Treasury parameters, and (3) such publicly sold bonds and Treasury held parity bonds are similarly rated (generally either AAA or AA). The underwriter of the publicly sold bonds, to obtain the required bond rating for the publicly sold bonds, prepares composite cash flow projections with respect to both the publicly sold bonds and the Treasury held bonds (and any other outstanding parity bonds). The underwriter would typically be paid a fee for such cash flow structuring services regarding the Treasury held bonds, but provides such services only as a necessary adjunct to its role as underwriter of the publicly sold/underwritten bonds. We assume the broker-dealer/underwriter exception to the Rule would encompass such a situation, and strongly suggest the Commission clarify the same in the final Rule or in the accompanying materials. Similar situations occur with respect to a wide variety of parity municipal debt issuances, including state "bond banks" or revolving funds and student loan bonds.

Often local underwriters provide capital markets advice and assistance to smaller irregularly issuing municipal entities on an informal non-contractual (and non-compensated) basis, over periods that sometimes span many years. By virtue of that assistance such underwriters better understand the financial status of the issuer, and often are selected to act as the underwriter when bonds are to be issued. However, there is no legal obligation on the part of the issuer to retain the underwriter in any capacity. We assume that such provision of non-contractual and non-compensated services does not result in a broker-dealer or similar entity being treated as a "municipal advisor," and suggest that the same be clarified in the final Rule or accompanying materials.

Definition of Obligated Party

The current definition of "Obligated Person" is potentially very broad, including "any person . . . committed by contract or other arrangement to support the payment of all or part of the obligations on the municipal securities," and almost identical to the definition of "Obligated Person" in Rule 15c2-12. The lack of a threshold for any "arrangement" to support "in part" the payment of municipal securities potentially encompasses a wide variety of entities, such as obligors on debt securities which happen to be municipal security reserve fund investments (e.g., money market funds), every municipal obligor participating in state bond banks or revolving funds, and every homeowner whose mortgage secures a state housing agency's mortgage revenue bonds. The definition of "Obligated Person" in Rule 15c2-12 is clarified in Footnote 80 to the explanation accompanying the adoption of Rule 15c2-12. We assume–and encourage you to confirm–that the Rule 15c2-12 clarification likewise applies to the Rule. Not only has the Rule 15c2-12 clarification proved practical and workable, but having two virtually identical definitions in similar rules interpreted quite differently would create innumerable problems. Moreover, with such similar definitions one would think the Congress intended the terms to be similarly interpreted.

We would be glad to discuss any of these suggestions with any member of the Commission staff.

Sincerely,

[redacted]

John J. Wagner

THE BOND BUYER

Vol. 375 No. 33446 N.Y., N.Y. | THE DAILY NEWSPAPER OF PUBLIC FINANCE | Thursday, January 6, 2011

BABs Enjoy Post-Demise Demand

Spreads Tighten Quickly in 2011

By Dan Seymour

No sooner did Build America Bonds become orphaned than they caught fire.

Spreads on many of the biggest BAB deals have tightened significantly early in 2011, validating the thesis that the scarcity created by the program's expiration would bolster their value.

Yields on some of the biggest BAB issues have come down as much as 20 or 30 basis points the past few days, according to trades reported through the Municipal Securities Rulemaking Board.

Market sources say the most robust tightening is hitting the bigger issues that are eligible for inclusion in long-duration taxable bond indexes.

The average spread in the Barclays Capital Build America Bonds Index compressed by 10 basis points in the first two days of the new year, after finishing 2010 at 223 basis points.

The real spread-tightening began in mid-December, when the onslaught of new BABs finally subsided and any lingering hopes for a program extension vanished. The average BAB yield shriveled from a near-term high of 6.54% on Dec. 15 to 6.34% on Tuesday, according to the Barclays index.

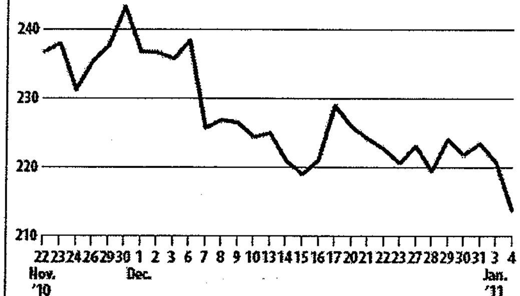
"BABs are trading stronger this week — much stronger, in fact," a trader in New York said. "There's been an exceptional amount of demand for the product in the secondary in the immediate aftermath of the program's expiration. How long that will continue is anyone's guess, but for now, they are a hot commodity."

The 2034 maturity of California's $6.86 billion BAB changed hands on Tuesday at a yield of

Turn to BABs page 8

The Value of Scarcity

Expiration of BABs has compressed spreads



Note: Average spread in basis points over Treasury bonds. Source: Barclays Capital

Adviser Proposal Targeted

'Chilling Effect' Seen on Boards

By Andrew Ackerman

WASHINGTON — Issuers and their attorneys are fighting a provision in the Securities and Exchange Commission's proposed rules for municipal advisers that would require appointed board members of municipal entities to register with both the SEC and the Municipal Securities Rulemaking Board if they advise on the issuance of municipal securities.

They warn that if the rules are approved, they would have a chilling effect on the ability of state officials to find volunteers willing to serve on the boards of bond-issuing authorities.

In addition to submitting to SEC and MSRB registration, these appointed board members would be subject to fiduciary

Turn to SEC page 5

Chowchilla, Calif., Stops Paying Off Debt

By Rich Saskal

ALAMEDA, Calif. — Rocked by the recession, the rural California city of Chowchilla has stopped making payments on the bonds it used to finance its city hall.

Trustee U.S. Bank issued a notice Monday that the city had not made a scheduled interest payment due Jan. 1.

The initial default occurred July 1 on an interest and principal payment for the Chowchilla Public Financing Authority's 2005 lease-revenue refunding bonds. The $5.9 million issue was used to finance renovation of a commercial building into Chowchilla's current city hall.

The recession has hit the city hard. Its 17.9% unemployment rate is considerably higher than the statewide 12.4% jobless rate.

The city is located in the agricultural Central Valley, about 30 miles north of Fresno and 140 miles south of Sacramento. The population of 18,700 includes 7,700 prisoners at its two state prisons.

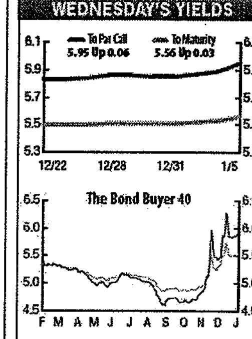
City officials didn't return a phone call Wednesday.

According to a presentation assistant city administrator Wayne Padilla prepared in December for the City Council, Chowchilla expects to bring in $4.1 million in general fund revenue during the current fiscal year, which runs through June 30, but has $5.3 million in budgeted expenses.

An earlier appreciation of that shortfall prompted the council to vote in June to skip the lease

Turn to Chowchilla page 4

WEDNESDAY'S YIELDS



The municipal market was slightly weaker Wednesday in light to moderate secondary trading as it lagged a rise in Treasury yields triggered by stronger-than-expected job creation in the ADP National Employment Report. *Complete market coverage by Michael Scarchilli appears on Page 2.*

INSIDE

"We need to start with an emergency financial plan to stabilize our finances" in the face of a $10 billion budget gap, N.Y. Gov. Andrew Cuomo said in his first state of the state address. Page 20

Bloomberg News

Issuers Fight SEC Over Proposal's Effect on Muni Boards

Continued from page 1

duties, pay-to-play, and other rules the MSRB plans to implement. Volunteers would find these rules unduly burdensome, issuers claim.

"It's a bizarre distinction that the SEC created in the release," said Len Weiser-Varon, a shareholder at Mintz, Levin, Cohn, Ferris, Glovsky and Popeo PC. He noted the proposed rules would only require registration for appointed, not elected, members of issuer or borrower boards.

"Board members are the clients of advisers, they're not the advisers," Weiser-Varon said. "They're not the people who act on behalf of a municipality or conduit borrower. It just makes no sense to treat them as advisers who have to register."

He added that employees of conduit borrowers also would need to register if they provide "advice" to the borrowers related to munis.

"It's an astounding overreach," said **Robert Lenna, executive director of the Maine Health and Higher Education Facilities Authority and the Maine Municipal Bond Bank.**

Many states already have statutory provisions concerning the fiduciary responsibility of volunteer board members of such authorities, he said.

"So not only is the SEC reaching down deep into the day-to-day operations of state governments, but this would just be redundant," he said.

Lenna added that his board members receive $55 per monthly meeting, plus gas reimbursement, as payment for their work.

Since the MSRB currently charges advisers $600 in initial and annual registration fees, most volunteers would have to fork over the bulk of their remuneration from the state if they were required to register as advisers.

As with the temporary registration system for advisers the SEC implemented in September — which will remain in effect through at least the end of 2011 — the proposed rules for a permanent registration system stem from provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act requiring that muni advisers be subject to SEC registration and MSRB oversight.

Under Dodd-Frank, the registration requirements apply to all municipal advisers who provide advice to "municipal entities" and other borrowers involved in the issuance of municipal securities. The advice may be related to derivatives, guaranteed investment contracts, "investment strategies," or the issuance of municipal securities. It also applies to advisers who solicit business from a state or local government for a third party.

The definition excludes employees of "municipal entities," but not employees of conduit borrowers.

In addition, neither the law nor the proposed SEC rules explain if appointed board members receiving a salary would count as employees.

"That's an area that the SEC could flesh out," said one market participant who asked not to be named.

Though the SEC agreed that the employee exclusion should extend to elected members of a governing body of a municipal entity, and ex-officio members who serve on the governing body because they hold elective office, the SEC said it was not persuaded that unpaid volunteers siting on boards should be categorically exempted from the municipal adviser definition, Weiser-Varon said in a public finance alert distributed earlier this week.

In declining to extend the exemption to volunteers in the proposed rules, the SEC said it "is concerned that appointed members, unlike elected officials and elected ex officio members, are not directly accountable for their performance to the citizens of the municipal entity."

An SEC spokesman declined to comment for this story. But a market participant said there are a number of situations going back 35 years where appointed officials, particularly for special districts, have found themselves or their issuers the subject of SEC enforcement actions for accepting bribes or not disclosing conflicts of interest, among other things.

Weiser-Varon faulted the SEC for not referencing its rationale in the proposal.

"The justification for the distinction in the release was simply that elected board members are accountable to the public and appointed ones aren't, which has no apparent bearing on whether they should or shouldn't be registered as municipal advisers," he said. "If there were some applicable case support for this proposition, my guess is it would have been referenced in the release."

Weiser-Varon added that unless or until the proposed rules are finalized in a manner that requires such registration, the commission should indicate that neither appointed municipal board members nor obligated person board members or employees need to register as municipal advisers.

The SEC is seeking comments on the proposal for 45 days after its publication in the Federal Register, possibly this week. ❑

Minnesota AG, Retirees to Seek Quick Judgment in Benefit Case

By Yvette Shields

CHICAGO — The Minnesota attorney general's office and lawyers representing state retirees in a lawsuit challenging benefit cuts will lay out their cases by the end of the month in summary judgment motions that seek a quick ruling.

A hearing during which both sides will argue their cases is set for March 22. The case is advancing as some local and state officials across the country have raised the specter of cutting what retirees believe are their vested pension rights to deal with deficits and growing unfunded pension liabilities.

At a hearing in September, Ramsey County District Court Judge Gregg Johnson heard initial arguments in the case in response to the attorney general office's request that the lawsuit be dismissed. Johnson allowed the case to continue.

The attorney general is representing the defendants, which include the state, the pension funds, their top managers, and former Gov. Tim Pawlenty.

"The case is proceeding and both sides will file motions for summary judgment by the end of the month," said Stephen Pincus, an attorney with Stember Feinstein Doyle Payne & Cordes LLC, which is representing the Minnesota retirees. The firm is also representing retirees involved in similar lawsuits pending in Colorado and South Dakota.

The lawsuit was filed May 17 after state legislation was enacted limiting future benefit increases for participants in the funds covering teachers, state employees, and local government employees.

The law signed last May eliminated a 2.5% annual increase in benefits. It lowered annual increases to a range of 0% to 2%, and in most cases those limits remain in place until the pension achieves a 90% funded ratio.

The changes were among a series of reforms enacted that also increased employee contributions. The changes are expected to save the pension system $2 billion over the next five years.

The lawsuit argues the legislation violates both state and federal laws governing contractual obligations and the taking of private property for public use. Lawyers are seeking class-action status to represent an estimated 75,000 retirees.

Lawyers from the attorney general's office contend the Legislature has authority to modify retirement benefits and that the formula governing benefit increases is not guaranteed as a contract in state statutes. The state also argued that the law does not violate laws governing the taking of private property because the legislation affects only future benefits, not benefits currently in hand.

Pincus said his firm has filed a motion for summary judgment in the Colorado case and the case survived a motion to dismiss.

The South Dakota case remains in the early stages. Legal documents in the Minnesota case can be found at minnesotapensions.com.

Elected officials, pension fund managers, and participants in the public pension sector are following the cases closely as more attention is paid to the strains unfunded pension liabilities pose to governments.

The Pew Center on States last year warned that states face a combined $1 trillion pension funding shortfall based on 2008 figures.

While many issuers have cut the benefits of future employees, they are increasingly looking at how to rein in rising costs for current retirees.

Lawyers in the Minnesota case contend the retirees honored their payment obligations and the state could have avoided the need to cut cost-of-living adjustments by slightly increasing its own contributions. ❑

Municipal Bond Activities

January 10
Standard & Poor's will host a Health Care Ratings Roundtable at their Boston office. Speakers will include S&P's Martin Arrick, Jesse Juliano and Robin Prunty. For more information or to register visit: http://profile.standardandpoors.com/content/HCRndTbl11011.

January 18
Women in Public Finance will host its Fourth Annual Founders Award event in Chicago. For more information visit www.wpfc.com/?cat=8.

January 20-22
The American Bar Association's Tax Section will hold its midyear meeting at the Boca Raton Resort & Club in Florida. For more information visit http://meetings.abanet.org/meeting/tax/MID11/gen_info.cfm.

February 14-15
The Bond Buyer will host its 15th annual Texas Public Finance Conference at the Barton Creek Resort in Austin. It will boast a portfolio bursting with content-driven sessions, dynamic speakers, networking opportunities that are a proven catalyst in making deals, and much more. To register visit http://www.bondbuyer.com/conferences/texas11/.

March 3-4
The National Association of Bond Lawyers will host its Tax and Securities Law Institute at the Hyatt Lost Pines Resort & Spa in Austin. For more information visit http://www.nabl.org/index.html.

May 3
Standard & Poor's will host its fourth annual Electric Cooperative and Public Power Hot Topic Conference at the McGraw-Hill Cos. in New York City. For more information or to register visit www.standardandpoors.com.

The Bond Buyer is pleased to list the activities of groups and organizations. To have an activity added to the calendar, please write to the Calendar Editor at The Bond Buyer, One State Street Plaza, New York, N.Y. 10004 or call 212-803-8460 or fax 212-843-9614 or e-mail sorayi.cuevas@sourcemedia.com.

THE BOND BUYER

Vol. 375 No. 33450 N.Y., N.Y. THE DAILY NEWSPAPER OF PUBLIC FINANCE Thursday, January 13, 2011

THURSDAY

www.bondbuyer.com

REGIONS

INDIANA LAWMAKERS held a first hearing Wednesday on a bill to allow local government units to file for Chapter 9 bankruptcy protection. 3

TOLEDO, OHIO-BASED PROMEDICA HEALTH SYSTEM will begin pricing $270 million of refunding and new-money revenue bonds Thursday. 3

DENVER'S REGIONAL TRANSPORTATION DISTRICT is considering asking voters for a 0.4% sales tax increase to complete the $6.7 billion FasTracks project. 3

OKLAHOMA GENERAL FUND REVENUES were higher than expected in December due to strong sales tax collections. ... 4

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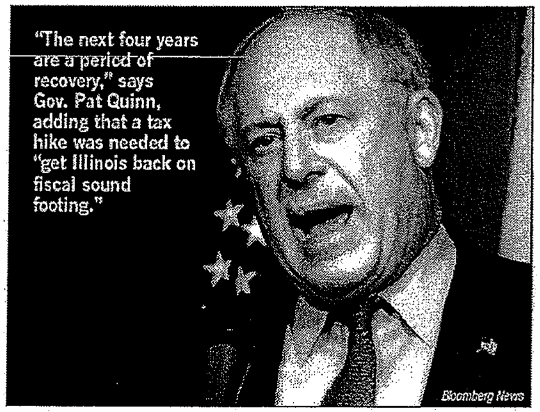

"The next four years are a period of recovery," says Gov. Pat Quinn, adding that a tax hike was needed to "get Illinois back on fiscal sound footing."

Bloomberg News

Illinois Governor Defends Tax Hikes

Quinn Cites Need to Ease Emergency

By Yvette Shields

CHICAGO — As rating agencies and investors digested details of the Illinois General Assembly's vote increasing state income taxes by two-thirds, Gov. Pat Quinn defended the action Wednesday as being necessary for the state to dig itself out of its fiscal crisis.

Quinn — who vowed to veto any increase in the income tax that exceeded a single percentage point during last fall's campaign — said Illinois had "to take decisive action" to ease a state "fiscal emergency" that is underscored by a looming $15 billion deficit, a backlog of $8 billion in bills, and $62.4 billion in unfunded pension liabilities.

The individual income-tax hike approved by the legislature amounts to 2 percentage points.

"The next four years are a period of recovery," Quinn said, adding that a temporary tax hike was needed to "get Illinois back on fiscal sound footing." The Democrat said at a news conference that he will sign the bill as soon as it reaches his desk.

Without any Republican support, the Illinois House and Senate narrowly voted late Tuesday and early Wednesday to raise the individual income tax rate to 5% from 3% and the corporate rate to 7% from 4.8%. The increases

Turn to Illinois page 4

ETFs Move Before Indexes Do

By Dan Seymour

Most municipal bond exchange-traded funds in the fourth quarter performed noticeably worse than the indexes they were designed to track. Or, depending on your perspective, they performed noticeably better.

"Tracking error" — the term ETF managers use for the magnitude of the mismatch between ETF returns and returns on a target index — was substantial in the fourth quarter as the equity market dumped shares representing ownership of trusts filled with municipal bonds more severely than the market dumped the bonds themselves.

Shares of the iShares S&P National AMT-Free Municipal Bond Fund — which with $1.91 billion in assets is by far the biggest muni ETF — underperformed their benchmark index by 137 basis points in the fourth quarter, according to a Bloomberg LP total return calculation that assumes reinvested dividends.

Van Eck Global's high-yield muni fund's shares missed their target index by 150 basis points.

Whether the underperformance is a black mark on the still-young municipal ETF industry is subject to interpretation.

While ETF managers are never happy about failing to track their indexes, some hold out the possibility that the turmoil in the ETF

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SEC's Registration Plan Raises Hackles

By Andrew Ackerman

WASHINGTON — The Securities and Exchange Commission will hurt state and local entities if it adopts rules requiring their appointed board members to register with the SEC and possibly the Municipal Securities Rulemaking Board, market participants are warning.

Their warnings come as several attorneys cautioned that their concerns may be overblown because the SEC is just starting on the rules and probably will consider expanding the exemptions.

Even though the commission has generated a furor by proposing to exempt elected, but not appointed, muni officials from the rules, it could still exempt both type of officials, the lawyers said.

In drafting the proposed rules, which will establish a permanent registration system for both muni advisory firms and individual advisers, the SEC "cast a broad net" that "may narrow substantially" after a 45-day comment period that ends Feb. 22, said Paul Maco, a partner at Vinson & Elkins LLP here.

"It's a new thing and there's going to be a lot people saying, 'Gee, I never thought they meant me' or 'Gee, I never thought it could include me,' " Maco said.

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Adviser Tapped for Harrisburg Plan

By Michelle Kaske

Harrisburg could receive a financial recovery plan by mid-May as Pennsylvania Wednesday announced that Novak Consulting Group will head a team of advisers to work with city officials on a fiscal strategy.

Novak Consulting provides general advisory work to local governments and will serve as the team's coordinator. The group of outside professionals includes the Pennsylvania Economy League, which will provide the primary financial analysis, according to Novack president Julia Novak. PEL is an independent public policy and research organization.

Also on board is Bob O'Donnell of O'Donnell Associates and Stevens and Lee PC for legal counsel on debt

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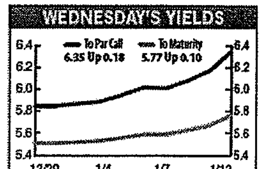
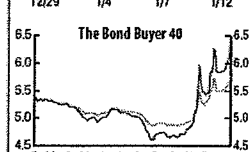
WEDNESDAY'S YIELDS





Headline risk returned to the municipal market Wednesday, driving yields higher by as much as 10 basis points as the New York City Transitional Finance Authority brought the largest loan of the new year to the institutional market. *Complete market coverage by Michael Scarchilli appears on Page 2.*

Oklahoma Revenue Rebounds in Slow, Steady Recovery

By Jim Watts

DALLAS — **Oklahoma** general fund revenues came in higher than expected in December, with sales tax collections leading the way.

Treasurer **Ken Miller**, who was sworn in for his first two-year term Dec. 10, said Oklahoma's economy appears to be continuing its slow and steady recovery from the recession. General fund collections totaled $454.4 million in December, an increase of $52.1 million from December 2009 and $18.9 million more than forecast.

The sales tax produced $145.2 million for the month.

"Sales tax collections show a 7% increase in spending from last December," Miller said. "While those collections are $3.7 million less than two years ago, they are up by $9.4 million from last Christmas."

The sales tax generated $828.1 million during the first half of fiscal 2011, according to Miller. That's $73 million more than the amount collected during same period last year and $44 million more than forecast.

The revenue report released Tuesday reflects retail spending between mid-November and mid-December.

Miller said sales tax collections are a good indicator of consumer confidence and increased retail spending signals greater optimism.

Gov. **Mary Fallin**, who also began her first term this week, said she was encouraged by the report. She said it shows that Oklahoma's economy did not fall as steeply as some states did during the downturn.

General fund revenues over the first six months of fiscal 2011 were $2.37 billion — $166 million more than the same period of fiscal 2010 and $68.3 million above the latest official forecast.

Miller said year-to-date revenue reports show the recovery is occurring across virtually all sectors of Oklahoma's economy, although the severance tax lags other indicators due to the low price of natural gas.

"We are seeing moderate growth in income tax collections, including withholding taxes," he said. "Oklahoma businesses are beginning to gain confidence, but are still shaking off the impact of the recession."

Net income-tax collections for the first half of fiscal 2011 total $987 million, with $900 million from the personal income tax and $87.2 million from the corporate tax. The personal tax collections are up 2% from fiscal 2010, and the corporate tax is up 16% from last year and almost 40% above the forecast.

Net income-tax collections of $203.8 million in December were $31.7 million more than last December. That total includes $172.9 million of personal tax collections and $31 million from the corporate tax.

December collections include $34.5 million from the severance tax on oil and gas and $57.3 million of investment earnings and taxes on insurance and alcohol.

Miller was elected as the state's 18th treasurer in November with almost 67% of the vote. He has a doctorate in political economics from the University of Oklahoma and an MBA from Pepperdine University. ❑

Illinois

Continued from page 1

will raise about $6.8 billion annually over the next four years before being rolled back to respective rates of 3.75%, and 5.25%. They would further drop to rates of 3.25% and 4.8% in 2025. The legislation limits spending growth to 2% annually through 2015.

Lawmakers also approved borrowing $3.7 billion to cover pension payments owed in the current fiscal year, which ends June 30. The state sold $3.5 billion to cover its fiscal 2010 payments. Lawmakers rejected a Democratic proposal to issue $8.75 billion of bonds to pay off bills and a $1 increase in the cigarette tax that would have raised $377 million annually.

The pension bonds received some Republican support, but members in both chambers blasted the tax hikes and called for additional spending cuts. The votes came after budget director **David Vaught** warned that the state faced a drop into junk-bond territory. Illinois' ratings have suffered several rounds of downgrades, but remain five to six notches within investment-grade territory.

All three major rating agencies said they were reviewing details of the legislation and several planned to release comments in the coming weeks. The state has seen its ratings tumble over the last two years as lawmakers resorted to one-shot revenues to deal with growing budget deficits.

Moody's Investors Service rates Illinois' $25 billion of general obligation bonds A1 and **Fitch Ratings** rates them A, both with negative outlooks. **Standard & Poor's** rates the state A-plus, but has it on negative CreditWatch. The outlooks are more long term while CreditWatch is reflects the near term.

Standard & Poor's issued a statement saying its analysts would consider the state's legislation, budget gap details, liquidity position, and longer-term financial outlook in their review.

While GOP lawmakers said spending cuts should have accompanied the legislation, analysts likely will look favorably on the tax hike since it's the first significant step lawmakers have taken to deal with the state's structural fiscal position. The question remains whether it will be enough to stave off any negative rating action.

"If structural changes are made to the budget and there are near-term prospects for improved performance and liquidity, the rating could be maintained," Standard & Poor's wrote.

Fitch said it would conclude its review of how the tax hikes fit into the overall budget picture next week. The agency wrote that its position has been that "enactment of budgetary measures to reduce the operating deficit on an ongoing basis, address the cumulative budget deficit, and reduce the accounts payable balance would be required to stabilize the credit."

Moody's said it too was reviewing the legislation but had no initial comment. Illinois in recent years has relied on one-shots and other fiscal gimmicks to deal with its growing budget deficit amid floundering revenues.

The state's financial and liquidity crisis has captured national attention and some investors won't buy Illinois bonds. The negative headlines have driven up the cost of borrowing for the state and local issuers here between 50 and 200 basis points and Illinois' credit default swap has been highest among states.

Municipal investors would like to see further steps taken to address the fiscal woes, but several said the tax increase is clearly represents a positive move.

"It's no cure-all and it's still a long road, but they have taken a step toward making things better," said **Matt Fabian**, managing director at **Municipal Market Advisors**. He said rating agencies may take a favorable view of the state's active management and newfound willingness to right its course.

"The tax increase could help solidify the rating," he said. "That stabilization is something tangible for investors."

Fabian said Illinois bonds have weakened by 10 to 15 basis points in initial secondary market trading, but it's too early to gauge market reaction as that shift could be driven by some investors' ability to finally shed the debt. Trading levels improved later in the day and the cost for credit default swaps on state debt dropped below 300 basis points, a first in weeks.

Christopher Mier, head of **Loop Capital Markets LLC**'s analytical services division, agreed that the tax hikes alone won't resolve the state's struggles, but he said the magnitude of their impact shouldn't be undersold. "It is a substantive step," he said. "It is the first in many steps needed, but it's significant."

Quinn and Democratic leaders have worked feverishly in recent days to raise support for a fiscal bailout ahead of the swearing in Wednesday of a new General Assembly with more Republicans, though both chambers still have Democratic majorities. ❑

SEC

Continued from page 1

"Those concerns need to be raised because maybe the rule doesn't — and maybe it shouldn't — apply to them. And that's what this process is all about and why the proposal needs to be read carefully."

"Municipal adviser regulation is an area that hasn't been subject to federal oversight and it has been a long time since a category of market participants, potentially reaching into so many nooks and crannies, has been regulated," Maco added.

Another attorney who asked not to be named dismissed the concerns as "hysteria" and noted that even if appointed board members of municipal entities are not exempted, they would have to provide advice on the issuance of muni securities in order to trigger the registration requirements. Voting to authorize the issuance of debt would not be advice and would therefore not trigger the requirements, the attorney said.

Martha Mahan Haines, the SEC's municipal securities chief, declined to comment beyond the proposed rules where the agency said it "is concerned that appointed members, unlike elected officials and elected ex-officio members, are not directly accountable for their performance to the citizens of the municipal entity."

As with the temporary registration system for advisers the SEC implemented in September — which will remain in effect through at least the end of 2011 — the proposed rules for permanent registration stem from provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act requiring muni advisers to be subject to SEC registration and MSRB oversight.

Under Dodd-Frank, the registration requirements apply to all muni advisers who provide advice to "municipal entities" and other borrowers involved in the issuance of municipal securities. The advice may be related to derivatives, guaranteed investment contracts, investment strategies, or the issuance of munis. It also applies to advisers who solicit business from a state or local government for a third party.

Though the SEC will require both advisory firms and individual advisers to register, the MSRB, which operates a separate system, is only requiring firms and sole proprietors to do so.

While some have characterized the blowblack as alarmist, **Teri Guarnaccia**, a partner at **Ballard Spahr LLP** in Baltimore, said the widespread concern is real. Guarnaccia, chairwoman of the National Association of Bond Lawyers' securities law committee, noted that the comment letter to the SEC that her panel is drafting has drawn the broadest base of interest among NABL members of any SEC proposal that she can recall.

"The general take of people that I've talked to is that it is an inappropriate distinction and there is widespread concern among a variety of attorneys' clients, from states to housing authorities," she said.

Steve Ritter, assistant finance director of Huntsville, Tex., told the SEC in a Jan. 10 letter that appointed board members should be treated no differently than elected board members and employees of a municipal entity. Board members, he said, are essentially policymakers rather than consultants or solicitors for a municipal entity.

Vince Sampson, president of the Education Finance Council, which represents nonprofit student loan lenders, said his members are concerned the proposal will decrease their pool of potential board members at a time when their agencies are still determining the roles they will play after the death of the Federal Family Education Loan Program. Under FFEL, which ended last year, state-level agencies issued municipal debt to finance federally guaranteed student loans.

Though Sampson said his members will no longer issue new debt backed by FFEL loans, they could still refund bonds. Several attorneys, including Maco, questioned whether the SEC had made the case for exempting elected but not appointed officials and said it ought to identify specific examples of conduct it is concerned about. ❑

SUMMARY OF CERTAIN RULES APPLICABLE TO MUNICIPAL ADVISORS

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") amended Section 15B of the Securities Exchange Act of 1934 (the "Act") to make it unlawful for "municipal advisors" to provide certain advice to or on behalf of a municipal entity without registering with the Securities and Exchange Commission (the "Commission"). Pursuant to the Dodd-Frank Act, the Commission recently proposed new rules 15Ba1-1 through 15Ba1-7 (the "Proposed Rules") establishing a permanent registration regime for municipal advisors.

In conjunction with the release of Proposed Rules, the Commission provided the following guidance regarding the definition of municipal advisor:

> The Commission believes that the exclusion from the definition of a municipal advisor for "employees of a municipal entity" should include any person serving as an elected member of the governing body of the municipal entity to the extent that person is acting within the scope of his or her role as an elected member of the governing body of the municipal entity. "Employees of a municipal entity" should also include appointed members of a governing body to the extent such appointed members are ex officio members of the governing body by virtues of holding an elective office. The Commission does not believe that appointed members of a governing body of a municipal entity that are not elected ex officio members should be excluded from the definition of a "municipal advisor."

This interpretation, if adopted, would subject appointed board members of municipal entities (that are not elected ex officio members) to:

(a) Registration as a financial advisor with the Commission on Form MA-I. Form MA-I requires disclosure of: (i) basic identifying information, (ii) a five-year residential history, (iii) a ten-year employment history, (iv) information regarding other business activities currently engaged in, (v) disclosure of any past felony charges or convictions, (vi) disclosure of violations of the federal securities laws, the Commodity Exchange Act or any rules of the Municipal Securities Rulemaking Board (the "MSRB"), (vii) disclosure of civil judicial actions or settlements involving the violation of any investment-related or municipal advisor-related statute or regulation, (viii) disclosure of consumer complaints or arbitration regarding investment-related or municipal advisor-related matters, (ix) disclosure of any discharges or resignations relating to violating investment-related or municipal advisor-related rules, fraud, wrongful taking of property, or failure to supervise in connection with a violation of investment-related or municipal advisor-related rules, and (x) disclosure of any bankruptcy or similar proceeding in the past ten years, unsatisfied judgments or any denial of bond. Such information would become publicly available (unless otherwise noted) and there is a possible fee associated with the filing.

(b) Compliance with MSRB rules and regulations [not yet promulgated]. Such rules may (and most likely will) provide for:

(i) standards of training, experience, competence, and such other qualifications for municipal advisors as the MSRB finds necessary or appropriate in the public interest or for the protection of investors and municipal entities or obligated persons.

(ii) the periodic examination of municipal advisors to determine compliance with applicable provisions of the Act and related rules and the rules of the MSRB;

(iii) certain records to be made and kept by municipal advisors;

(iv) payment by each municipal advisor to the MSRB of reasonable fees and charges necessary or appropriate to defray the costs and expenses of operating and administering the MSRB; and

(v) regulations designed to prevent acts that are inconsistent with a municipal advisor's fiduciary duty, continuing education requirements and professional standards.

(c) A fiduciary duty with respect to any municipal entity for whom such individual acts as a municipal advisor. Specifically Section15B(c)(1) of the Act provides "no municipal advisor may engage in any act, practice, or course of business which is not consistent with a municipal advisor's fiduciary duty or that is in contravention of any rule" of the MSRB. [This may make it impossible for the municipal entity to waive any potential conflict, and probably will override state law exemptions.]

(d) Compliance with additional federal fraud regulations. Section 15B(a)(5) of the Act provides "[n]o municipal advisor shall make use of the mails or any means or instrumentality of interstate commerce to provide advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products, the issuance of municipal securities, or to undertake a solicitation of a municipal entity or obligated person, in connection with which such municipal advisor engages in any fraudulent, deceptive, or manipulative act or practice."

(e) The MSRB's G-17 Rule on Fair Dealing and the G-5 Rule on MSRB disciplinary actions.

December 31, 2010

HAWKINS ADVISORY

MUNICIPAL ADVISOR REGISTRATION—EFFECT OF PROPOSED RULES ON ISSUER AND OBLIGOR BOARDS

BACKGROUND

Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") amended Section 15B of the Securities Exchange Act of 1934 (as amended, the "Exchange Act"), effective October 1, 2010, to, among other things, (1) require municipal advisors to register with the Securities and Exchange Commission (the "SEC"), (2) establish a fiduciary duty between a municipal advisor and a municipal entity for which it is acting as a municipal advisor,[1] and (3) subject municipal advisors to additional anti-fraud provisions.[2] The SEC adopted an interim final temporary rule (Rule 15Ba2-6T; the "Temporary Rule") to enable municipal advisors to satisfy the statutory requirement to register with the SEC, which rule became effective October 1, 2010, and expires on December 31, 2011.

The SEC on December 20, 2010 (Rel. No. 34-63576; the "Proposing Release")[3] proposed permanent rules (Rules 15Ba1-1 through -7; collectively, the "Proposed Rule" and, together with the Temporary Rule, the "Rules") to implement Section 975, which would take effect on a date yet to be determined. The Proposing Release requests comments on the Proposed Rule, to be received on or before February 22, 2011.

Prior to the Dodd-Frank Act, a municipal financial advisor was not subject to registration with the SEC unless it was either a broker or dealer (subject to registration under the Exchange Act) or an investment adviser (subject to registration under the Investment Advisers Act of 1940; the "40 Act"). Section 3(a)(4) of the Exchange Act defines "broker" as "any person engaged in the business of effecting transactions in securities for the account of others." Section 3(a)(5) of the Exchange Act defines "dealer" as "any person engaged in the business of buying and selling securities for such person's own account." Section 202 (a)(11) of the 40 Act defines "investment adviser" as "any person who, for compensation, engages in the business of advising others . . . as to the value of securities or as to the advisability of investing in, purchasing, or selling securities."

The underlying purpose of Section 975 of the Dodd-Frank Act was to subject independent municipal financial advisors to SEC registration and regulatory requirements without regard to whether they can be characterized as a "broker," a "dealer," or an "investment adviser." In doing so, however, as analyzed in detail below, it created a very sweeping definition of "municipal advisor," which does not include either an "engaged in the business" or a compensation component as a requirement, both of which have been core elements of the existing regulatory scheme. Although other aspects of the Proposed Rule also require further consideration, this Advisory focuses upon the potential effects of the Proposed Rule upon municipal security issuer and obligor boards.

DEFINITION; EXCLUSIONS

Section 975 defines the term "municipal advisor" to mean "a person (who is not a municipal entity[4] or an employee of a municipal entity) that (i) provides advice to or on behalf of a municipal entity or obligated person[5] with respect to municipal financial products ["municipal derivatives," "guaranteed investment contracts" including forward supply contracts, or "investment strategies"][6] or the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters concerning such financial

[1] "A municipal advisor and any person associated with such municipal advisor shall be deemed to have a fiduciary duty to any municipal entity for whom such municipal advisor acts as a municipal advisor, and no municipal advisor may engage in any act, practice, or course of business which is not consistent with a municipal advisor's fiduciary duty or that is in contravention of any rule of the [Municipal Securities Rulemaking] Board." [Exchange Act § 15B(c)(1)]

[2] "No municipal advisor shall make use of the mails or any means or instrumentality of interstate commerce to provide advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products, the issuance of municipal securities, or to undertake a solicitation of a municipal entity or obligated person, in connection with which such municipal advisor engages in any fraudulent, deceptive, or manipulative act or practice." [Exchange Act § 15B(a)(5)]

[3] 76 Fed. Reg. 824 (Jan. 6, 2011).

[4] "[A]ny State, political subdivision of a State, or municipal corporate instrumentality of a State, including (A) any agency, authority, or instrumentality of the State, political subdivision, or municipal corporate instrumentality; (B) any plan, program, or pool of assets sponsored or established by the State, political subdivision, or municipal corporate instrumentality or any agency, authority, or instrumentality thereof; and (C) any other issuer of municipal securities." [Exchange Act § 15B(e)(8)]

[5] "[A]ny person, including an issuer of municipal securities, who is either generally or through an enterprise, fund or account of such person, committed by contract or other arrangement to support the payment of all or part of the obligations on the municipal securities to be sold in an offering of municipal securities." [Exchange Act § 15B(e)(10)] This definition tracks the definition of "obligated person" in SEC Rule 15c2-12.

[6] Proposed Rule § 240.15Ba1-1(f), Exchange Act § 15B(e)(2), Exchange Act § 15B(e)(3), and Proposed Rule § 240.15Ba1-1(b), respectively.

products or issues; or (ii) undertakes a solicitation of a municipal entity." Section 975 further provides, however, that the term "municipal advisor" does *not* include, among others, (1) "a broker, dealer, or municipal securities dealer serving as an underwriter," (2) "any investment adviser registered under the Investment Advisers Act of 1940," or (3) "attorneys offering legal advice or providing services that are of a traditional legal nature." The term has basically the same meaning in the Rules.[7]

MEMBERS OF GOVERNING BODIES

The definition of "municipal advisor" in the Dodd-Frank Act expressly excludes "a municipal entity or an employee of a municipal entity." The Dodd-Frank Act does not provide a definition of the term "employee." In the Proposing Release, the SEC draws a distinction between elected and non-elected members of the governing body of a municipal entity:

> The Commission believes that the exclusion from the definition of a "municipal advisor" for "employees of a municipal entity" should include any person serving as an elected member of the governing body of the municipal entity to the extent that person is acting within the scope of his or her role as an elected member of the governing body of the municipal entity. "Employees of a municipal entity" should also include appointed members of a governing body to the extent such appointed members are ex officio members of the governing body by virtue of holding an elective office. The Commission does not believe that appointed members of a governing body of a municipal entity that are not elected ex officio members should be excluded from the definition of "municipal advisor." The Commission believes that this interpretation is appropriate because employees and elected members are accountable to the municipal entity for their actions. In addition, the Commission is concerned that appointed members, unlike elected officials and elected ex officio members, are not directly accountable for their performance to the citizens of the municipal entity.

In short, the SEC is determining that the exclusion for "employees" applies only to elected members of the governing body and not to non-elected members. The SEC requests comments on whether such a distinction is appropriate:

> The Commission is proposing to exclude from the definition of "municipal advisor" elected members of a governing body of a municipal entity, but to include appointed members of a municipal entity's governing body unless such appointed members are ex officio members of the governing body by virtue of holding an elective office. Are these distinctions appropriate? Please explain. Are there other persons associated with a municipal entity who might not be "employees" of a municipal entity that the Commission should exclude from the definition of a "municipal advisor"?

Note that none of this applies to obligated persons, and "a person . . . that provides advice to or on behalf of a municipal entity *or obligated person* [,if not itself a municipal entity,] with respect to municipal financial products or the issuance of municipal securities" would be required under the Proposed Rule to register as a municipal advisor. The obligated person definition is broad, and would embrace a wide range of obligors receiving the benefit of exempt facility, qualified 501(c)(3), and other municipal finance vehicles, including not only for-profit entities, such as airlines, but also for-profit and non-profit health care systems, universities, etc., to the extent they are committed to support the payment of municipal securities.

ANALYSIS

The construct reflected in the Proposing Release is fundamentally flawed. The SEC treats members of a governing body of any municipal entity or obligated person as municipal advisors, subject (with respect to municipal entities) to a limited exclusion for "elected" members.[8] The problem is not simply the artificial distinction between elected and non-elected members, but more fundamentally the Proposed Rule fails to recognize that the governing board of a municipal entity cannot be a municipal advisor to such entity. The municipal entity acts through its governing body, which is necessarily comprised of individual members. Accordingly, the exception for a "municipal entity" should properly be interpreted to mean all governing body members. The same is the case for obligated persons. Thus, comments to the SEC should not be limited to responding to the SEC's question of whether the distinction between elected and non-elected is appropriate, but should note the fundamental misunderstanding and confusion underlying the construct set forth in the Proposing Release as it applies to both municipal entities and obligated persons.

Furthermore, the notion that non-elected members of boards of municipal entities are not accountable is incorrect. Even non-elected members are generally treated as public officers and are subject to removal for cause. In addition, non-elected board members are in almost all cases appointed by elected officials pursuant to explicit provisions of a statute passed by elected officials. That state statute does not distinguish board members or voting strength on a board between elected and appointed members. For a federal provision to now intrude on this basic form of state governance without

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[7] In the Proposed Rules, notwithstanding the text of the definition of municipal advisor enacted by Section 975 of the Dodd-Frank Act, the Commission interprets clause (ii) above to include solicitation of either a municipal entity or an *obligated person*.

[8] Section 15B(e)(4) excludes from the definition of "municipal advisor" an "employee of a municipal entity." Thus, an employee of a particular governmental entity who serves in an *ex officio* capacity on the board of another governmental entity should be excluded from the definition of "municipal advisor". The SEC should confirm that such reading is correct.

any Congressional history or legislative intent support seems quite arbitrary.

The issuance of municipal securities and municipal financial products are legitimate matters to be examined, debated, and acted upon by municipal entities and obligated persons. To subject non-elected governing body members of municipal entities, and all employees and governing body members of obligated persons, to the registration requirements and expense, federal fiduciary standards, and federal securities law liability, can only have the effect of discouraging participation. This is flawed public policy and counter-productive to good governance.

Moreover, subjecting members of municipal entities' governing bodies to these requirements may violate the Tenth Amendment to the United States Constitution, which reserves to the States those powers not delegated to the United States by the Constitution. The legislative history of the Dodd-Frank Act is devoid of legislative intent on this point.

The SEC may argue that registration is required only for those persons who are in fact providing financial advice. The problem with such a defense of the Proposing Release construct is that the definition of financial advice is so broad ("municipal financial products or the issuance of municipal securities") as to potentially include the adoption of an approval resolution authorizing a municipal bond issuance if at such meeting questions are asked by board members probing the "structure, timing, terms, or other similar matters," or a finance committee recommendation to the governing board relating to the issuance of municipal securities or financial products. Indeed, it is common practice for a proposed financial transaction to be considered first by a finance committee (or other specially formed committee) of a board with a recommendation made by such committee to the full board as to its structure, timing, terms and related matters.[9] Regulation in this manner is ill-conceived. The SEC has other means to encourage and enforce the proper conduct of governing bodies of municipal entities and obligated persons, including interpretive releases and municipal enforcement actions. Moreover, many obligated persons are already subject to regulation, including SEC registrants, public utilities, and financial institutions. Rather than discouraging participation on governing bodies by requiring registration and additional potential liabilities, the SEC should be encouraging greater participation of individuals knowledgeable and experienced in finance, and the potential for the municipal advisor provisions to attach being dependent upon whether "advice" is given by a board member would have a chilling effect on board members expressing their views. As a matter of public policy, the expression of such views should be encouraged, not discouraged.

Hawkins Delafield & Wood LLP expects to submit a comment letter to the SEC on the Proposed Rule. In that comment letter, we will expand upon and provide additional support for the concerns summarized above. We encourage you to submit your own comment letter, and please let us know if there are additional concerns you would like us to bring to the attention of the SEC.

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[9] In New York State, for example, board members of each state and local authority that issues debt are required to establish a finance committee, and by statute it "shall be the responsibility of the members of the finance committee to review proposals for the issuance of debt by the authority and its subsidiaries and make recommendations." N.Y. Public Authorities Law § 2824(8).

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Hawkins
DELAFIELD & WOOD LLP

ITEM #3

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Illinois Finance Authority

Legislative Audit Commission

622 WILLIAM G. STRATTON BUILDING • SPRINGFIELD, ILLINOIS 62706 • 217/782-7097 • FAX 217/524-9030

December 7, 2010

Mr. Christopher Meister
Executive Director
Illinois Finance Authority
180 North Stetson Avenue, Suite 2555
Chicago, Illinois 60601

Dear Director Meister:

The 2009 compliance examination and financial audit for the Illinois Finance Authority was accepted on the Consent Calendar at the Legislative Audit Commission meeting held November 16, 2010.

Sincerely,

[redacted]

E. Jane Stricklin
Executive Director

ITEM #4

IFA
ILLINOIS FINANCE AUTHORITY

FOR IMMEDIATE RELEASE:
Monday, January 17, 2011

CONTACTS: Marj Halperin: 773-539-9906

Innovative financing means jobs for Moline

Illinois' new financing tool backs KONE Centre project for Quad Cities

A package of creative state programs and financing tools were key to the public-private partnership that is making it possible for elevator and escalator manufacturer KONE, Inc. to build a new $40 million headquarters in Moline. This development will retain 375 jobs and add an estimated 53 construction jobs and 50 new permanent positions. It was made possible by a combination of resources and partners, including low interest rate financing facilitated through the Illinois Finance Authority (IFA) and a $471,000 grant via the Illinois Department of Commerce and Economic Opportunity (D-CEO). DCEO is administering the grant, provided through the American Recovery and Reinvestment Act, to fund installation of a 316 kilowatt solar photovoltaic system that will help the project become LEED certified (Silver), environmentally sound and energy efficient.

These state agencies partnered with State Sen. Mike Jacobs (D-Moline), the city of Moline, Renew Moline, the Quad Cities Regional Economic Development Authority (QCREDA), KONE Corporation, U.S. Bank and developer Rodney Blackwell.

"Projects like this are essential to long-term economic growth for the Quad Cities region and Illinois as a whole," said Governor Pat Quinn. "This is a great example of how, by working together to continue the exciting redevelopment of the city's downtown and Mississippi Riverfront, we can restore and recover our economy and create jobs."

The KONE project will serve as a catalyst to rebuild the city's core business district known as the Moline Centre, which is comprised of Moline's downtown and Mississippi Riverfront. KONE Centre will complete Phase III of Moline's four-phase Bass Street Landing redevelopment project which offers a venue for outdoor events, festival and gatherings along the Mississippi Riverfront.

That location is key to the project's financing. $20.2 million in IFA financing leverages Midwestern Disaster Area Bonds, a federal program that provides lower interest rates to finance certain types of privately-owned projects that will generate jobs and economic development activity in 18 designated counties in Illinois that suffered damage in mid-2008 from floods and other storm damage.

"Innovative financing and partnerships are key to the redevelopment projects that will add jobs and expand commerce in this challenging economy," said IFA Executive Director Christopher Meister. "We're pleased to partner with Moline's leadership to fulfill this vision for downtown redevelopment that is crucial to the entire Quad Cities region."

Counties eligible for Midwestern Disaster Area Bond financing are:

Adams	Cumberland	Jasper	Rock Island
Calhoun	Douglas	Jersey	Whiteside
Coles	Edgar	Lake	Winnebago
Clark	Hancock	Lawrence	
Crawford	Henderson	Mercer	

About the Illinois Finance Authority

The Illinois Finance Authority provides expert, hands-on support to help businesses get the capital they need for growth. To support Illinois businesses and the State's economic development agenda, the IFA provides access to low-cost, non-conventional financing, through banks and other sources. IFA secures financing for farms, industries, businesses, local governments, hospitals and other non-profits. IFA's support has helped Illinois lead the Midwest in job creation with more than 50,000 jobs added during the past year, including more than 10,000 manufacturing jobs. Illinois' economic growth in 2010 also nearly doubled the national average. The agency is continually seeking new opportunities and invites developers, financiers and community partners to see how IFA can help. Go to www.il-fa.com to learn more.

About Illinois DCEO

The Illinois Department of Commerce & Economic Opportunity (DCEO) is the lead state agency responsible for improving Illinois' competitiveness in the global economy. Guided by an innovative regional approach, DCEO administers a wide range of economic and workforce development programs, services and initiatives designed to create and retain high quality jobs and build strong communities. DCEO leads the Illinois economic development process in partnership with businesses, local governments, workers and families. For more information, visit www.ildceo.net.

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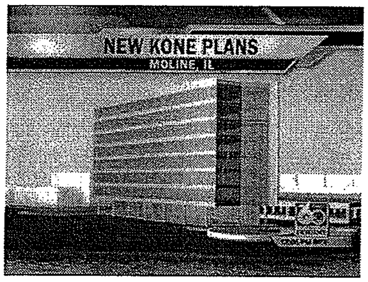
Funding For Kone Building

Updated: Jan 17, 2011 03:43 PM CST



A big development announced Monday toward building a new high rise in downtown Moline. Illinois Governor Pat Quinn announced funding approval for the KONE Centre project. According to a news release, the funding gives the green light to begin construction of the ten-story, eight-floor $40 million building.

The largest portion of project financing came from the Illinois Finance Authority and in partnership with the Quad City Regional Economic Development Authority, which approved $20.2 million in Midwestern Disaster Area Bonds to help facilitate the construction of the high-rise. The tax exempt bonds are part of a federal program to finance certain types of privately-owned projects that will generate jobs and economic development activity in 18 designated counties in Illinois that suffered damage in mid-2008 from floods and other storm damage.

Plans call for KONE Corporation to consolidate its current Moline-based administrative and call center operations into the new high-rise, to be built two blocks away. The developer says the structure, along with KONE signage, will be highly visible and will change the downtown Moline skyline.

MARJ HALPERIN
CONSULTING

ILLINOIS FINANCE AUTHORITY

Navistar

Date	*Publication*	*Headline*	*Message*	*Link*
12/1/2010	*Commercial Property Executive*	Navistar Closes on Alcatel-Lucent Campus	In September, new legislation paved the way for the Illinois Finance Authority to award $145 million in Recovery Zone Facility Bonds to Navistar for the acquisition, expansion and renovation of the property and other related tasks.	http://www.cpexecutive.com/regions/midwest/navistar-finally-closes-on-purchase-of-1-2m-sf-alcatel-lucent-campus-in-suburban-chicago/

Bond Reallocation

Date	*Publication*	*Headline*	*Message*	*Link*
12/28/2010	*Quincy Herald-Whig*	Pike County rejects "power grab" by state for unused bonding authority	The Illinois Finance Authority asked Pike County to return unused recovery zone bond allocation before the end of the year to help another project in the state. The County Board took no action on the request Monday and won't meet again until 2011.	http://www.whig.com/story/news/pike-board-bonds-122810
11/13/2010	*The Herald-News*	Outgoing Grundy board members bid farewell	The board approved a resolution to reallocate a $3.9 million federal bond to the Illinois Finance Authority.	http://heraldnews.suntimes.com/news/2335985-417/board-county-chairman-halpin-members.html

Senior Housing Tower

<table>
<tr><th>Date</th><th>Publication</th><th>Headline</th><th>Message</th><th>Link</th></tr>
<tr><td>12/7/2010</td><td>GlobeSt.com</td><td>Greystone Starts Construction on Admiral Project</td><td>Greystone Communities Inc. has started construction on the $228.5-million Admiral on the Lake, a senior housing tower at Foster Avenue and Marine Drive on the North Side. The 31-story development is financed with $202 million in bonds issued by the Illinois Finance Authority.</td><td>http://www.globest.com/news/1804_1804/chicago/greystone-starts-construction-on-admiral-project305006-1.html</td></tr>
<tr><td>12/6/2010</td><td>ChicagoRealEstateDaily.com</td><td>In brief: AIG unit | Inland buy | Wacker tenant</td><td>Greystone Communities Inc. has started construction on the $228.5-million Admiral on the Lake, a senior housing tower at Foster Avenue and Marine Drive on the North Side. The 31-story development is financed with $202 million in bonds issued by the Illinois Finance Authority.</td><td>http://www.chicagorealestatedaily.com/article/20101206/CRED03/101209928/in-brief-aig-unit-inland-buy-wacker-tenant#axzz1AOsjLfSh</td></tr>
</table>

University Bonds

Date	*Publication*	*Headline*	*Message*	*Link*
12/15/2010	*The Bond Buyer*	IFA OKs Deals for Student Housing, Hotels, and Warehouses	The Illinois Finance Authority on Tuesday advanced bond deals for two privately developed state university student housing projects and financings for a handful of borrowers rushing to tap federal stimulus bond programs ahead of their expiration.	http://www.bondbuyer.com/issues/119_488/ifa-okays-deals-for-housing-1021101-1.html

Brandt Appointment

Date	*Publication*	*Headline*	*Message*	*Link*
11/8/2010	*Financial.de*	Governor Pat Quinn Reappoints William A. Brandt, Jr. as Chair of the Illinois Finance Authority	Development Specialists, Inc. ("DSI") is pleased to announce that newly reelected Illinois Governor Pat Quinn has appointed William (Bill) A. Brandt, Jr., to a second two-year term as Chairman of the Illinois Finance Authority.	http://www.financial.de/rohstoffe/rohstoff-international/governor-pat-quinn-reappoints-william-a-brandt-jr-as-chair-of-the-illinois-finance-authority/

Bankruptcy in Chicago

Date	*Publication*	*Headline*	*Message*	*Link*
12/20/2010	*Chicago Tribune*	Thinking the unthinkable: Bankruptcy in Chicago	Op-ed regarding bankruptcy in Chicago and the role of state-run agencies.	http://www.chicagotribune.com/news/ct-oped-1221-byrne-20101220,0,5120665.story

Miscellaneous

Date	*Publication*	*Headline*	*Message*	*Link*
12/23/2010	*The Telegraph*	Permanent closure of ferry loomed often	Tully had contacted the Illinois Finance Authority for a low-interest loan for the now-closed ferry operation after a meeting with the aforementioned group, which also included the former sole owners of the Grafton Ferry, Derrill and Karla Machens of St. Charles County, Mo., who bought Tully's portion of the company last January.	http://www.thetelegraph.com/articles/tully-48639-corps-grafton.html
12/6/2010	*eventful*	Connecting the Clean Economy in Chicago - Chicago Clean Energy Alliance	IFA included in list of selected organizations that attended the previous event.	http://eventful.com/chicago/events/connecting-clean-economy-chicago-chicago-clean-/E0-001-034793655-1
12/1/2010	*IMN*	Christopher B. Meister bio	Christopher Meister is the Executive Director of the Illinois Finance Authority. Meister has long provided leadership to the state's economic development efforts. Most recently, he directed the IFA on an interim basis as Co-Authorized Officer, after two years as General Counsel and Deputy Director.	http://www.imn.org/pages/biography.cfm?personid=CBD242585730

Navistar

Publication: *Commercial Property Executive*
Date: December 1, 2010

Navistar Closes on Alcatel-Lucent Campus

Even after it knocked out the competition many months ago, Navistar International Corp. ran into a few roadblocks in its plans to acquire the former Alcatel-Lucent East Campus in Lisle, Ill., for its new headquarters, but all hurdles have been cleared and the trucks and diesel engines manufacturer is now the official owner of the 1.2 million square-foot office compound.

Boasting a location approximately 25 miles west of Chicago in the I-88 Hi-Tech Corridor, the Alcatel-Lucent Campus is within close proximity to the area's major highways and commuter infrastructure. Real estate services firm UGL Services kicked off the marketing of the nine-building campus on Alcatel-Lucent's behalf in March 2009, and even in the midst of a down market, eager buyers near and far wanted to snap up the 87-acre property.

"We did a national and international marketing effort and the interest was very high," Christopher Wood, senior vice president and managing director with UGL, told *CPE*. "While we had significant investor interest, user interest was more in line with Alcatel-Lucent's goals and objectives. We were looking for companies that saw the value in the existing property and could envision their own operations there."

Despite the fact that neither the real estate market nor the economy have fully recovered, UGL was in a position to be picky, to secure the most appropriate new owner. "We had offers all over the board, but the goal in this type of project is to find the right buyer with the right objectives and needs," Wood said. "Investors look at a property differently than users. Users focus on what needs to be done to get the property to where the company needs it to be, while investors look at how they can reposition it and carry it through lease-up."

Navistar relied on Jones Lang LaSalle for representation in the transaction, which will allow the company to relocate from its current home base in Warrenville and set up its corporate headquarters offices and R&D activities at the sprawling Alcatel-Lucent site just three miles away.

Parties involved in the deal are not disclosing its financial terms. However, a strategic move by state officials, eager to keep Navistar in Illinois, gives some indication of the price tag attached to the asset, as well as the substantial funds that will be invested to tailor the campus to the new tenant's needs. In September, new legislation paved the way for the Illinois Finance Authority to award $145 million in Recovery Zone Facility Bonds to Navistar for the acquisition, expansion and renovation of the property and other related tasks.

Of course, there is nothing like a good incentives package to coax a company into staying put, but Navistar's decision to renew its commitment to the Chicago area was not always about money. At one point during purchase negotiations, community opposition to traffic and other issues that would accompany the company's move discouraged Navistar and pushed the company to consider relocating outside of Illinois. However, local and state support, a revised plan and the appeal of revenue and high-paying jobs ultimately drowned out naysayers' complaints. With Navistar remaining in suburban Chicago, the area job market will retain and see the creation of an aggregate 3,100 white-collar positions.

Bond Reallocation

Publication: *Quincy Herald-Whig*
Date: December 28, 2010

Pike County rejects "power grab" by state for unused bonding authority

The Illinois Finance Authority asked Pike County to return unused recovery zone bond allocation before the end of the year to help another project in the state.

The County Board took no action on the request Monday and won't meet again until 2011.

Board member Walker Filbert described the request as a "power grab" by IFA to accumulate the unused bonding authority and its "volume cap" from the county.

"They're trying to gobble it all up ... then dole it out where they want," Filbert said. "Volume cap is used as a political chip."

Bernardi Securities, a Chicago-based municipal bond firm consulting on a Pittsfield street project, brought the AARA funding to the city's attention. The city shared the information with the county about the funding which had been approved in 2009 -- at least a year before the county learned it was available.

"I don't see why we (should) help IFA when they didn't help us" with notification of the bonding authority, Filbert said.

Board members in May adopted an ordinance designating the county a recovery zone under the American Recovery and Reinvestment Act of 2009. The move cleared the way for the county and its communities to access up to $3.8 million in federal funds for capital expenditures related to property in a recovery zone, public infrastructure and construction of public facilities and qualified economic development projects.

Bonds for recovery zone projects had to be issued by Jan. 1 which was too short of a timeline for county projects to qualify.

"We don't want to use this right now. In the future, we could ask for some funds back," Board Chairman Andy Borrowman said.

"There's no guarantee we would get it back," Filbert said.

The county qualified as a recovery zone due to "significant unemployment" under AARA guidelines.

AARA provides funding for Recovery Zone Economic Development Bonds and Recovery Zone Facility Bonds. Pike County was allocated $2,294,000 for calendar year 2010 for recovery zone facility bonds and $1,529,000 for recovery zone economic development bonds.

In neighboring Adams County, the County Board approved a resolution in November 2009 giving the Quincy Public Library $5.533 million and Mill Creek Water District $995,000 in bonding authority through AARA. Adams County was issued $6.483 million in bond cap because it qualifies as a recovery zone for "significant unemployment."

Publication: *The Herald-News*
Date: November 13, 2010

Outgoing Grundy board members bid farewell

Emotion charged the last meeting of the outgoing Grundy County Board as Democrats ousted in last week's elections bade farewell.

With a mixture of laughter and suppressed tears, Democrats William Rodosky, Terry Pfaff, Greg Redford, Mike Lutz and Richard Olson said their goodbyes to their colleagues Tuesday night.

"In the past four years we got more done than (in the time) since this administration building was built," Rodosky told the board. Rodosky has been a board member since 2002.

Pfaff, in what seemed a response to Republicans' criticism of overspending by the county, said, "I have never taken this job lightly. I'm proud of the budget, and I'm proud of all the hard work done in the committees."

"I'm not going to say goodbye, just see you later, and I'm going out to pasture," he joked. Pfaff took office in 2006.

Redford, also a board member since 2006, found it hard to speak as he thanked his colleagues for their support. "I especially want to thank Chairman (Frank) Halpin for his strong leadership and friendship," said Redford.

"When one door closes, another one opens," he said.

The door, however, will inevitably close on Halpin's role as chairman once the six new Republican board members are sworn in and a new chairman and vice chairman are chosen on Dec. 6.

With the addition of John Roth, David Welter, Ralph Wagner, Eric Rasmusson, Chris Balkema and Dave Boggs, the Republicans, now with 11 members, will control the board and most likely choose leaders from their own party.

This was apparent to Vice Chairman Dick Joyce who also took a moment to thank his fellow lawmakers for their "cooperation."

At the close of the meeting, a visibly emotional Halpin took the podium and told the outgoing board, "It's been a great ride."

Looking to the future, Halpin, in a later interview, expressed a positive outlook. "I'm sure there's plenty of experience on the board to help work with the new board members," he said.

Phil Galloway, who lost the primary earlier this year, is the only Republican leaving the board. Galloway was not present at Tuesday's meeting.

In county business, the board took a number of actions, which included passing the 2011 balanced budget placed on file in September and approving 2011 county levies totaling about $15 million. Fiscal year 2011 starts on Dec. 1.

The board also:

Approved a two-year contract to retain Dan Duffy as county administrator, with a salary of $73,902.

Renewed bonds to pay the salaries of re-elected Sheriff Terry Marketti, Treasurer Marcy Miller and County Clerk Lana Phillips.

Approved a resolution to reallocate a $3.9 million federal bond to the Illinois Finance Authority.

The county, which received the low-interest bond last year from the federal government, was unable to distribute it to any private businesses in the given one-year deadline, Duffy said. The bond was not large enough for some projects and too large for others, he explained.

Senior Housing Tower

Publication: *GlobeSt.com*
Date: December 7, 2010

Greystone Starts Construction on Admiral Project

Greystone Communities Inc. has commenced construction on Admiral on the Lake, a $228.5-million senior housing tower, located at Marine Drive and Foster Avenue on the North Side. The Illinois Finance Authority has issued $202 million in bonds to finance the development.

The 31-story, 256-unit development, which is expected to be complete in September 2012, includes 56 units meant for residents who require extra care. Once the project is complete, Pennsylvania-based Kendal Corp. will remain as manager.

Publication: *ChicagoRealEstateDaily.com*
Date: December 6, 2010

In brief: AIG unit | Inland buy | Wacker tenant

Insurer to move, trim Schaumburg office

American General Life Cos. leased 16,515 square feet at Schaumburg's Woodfield Financial Centre, where it will move from a larger space at nearby One Woodfield Lake. American General signed a five-year deal at Woodfield Financial, 1375 E. Woodfield Road, and is to move in February. The company, a Houston-based unit of American International Group Inc. (AIG), currently has about 19,000 square feet at One Woodfield Lake, 1000 E. Woodfield Road. Cushman & Wakefield Inc. represented American General. The firm's lease at Woodfield Financial brings the 183,000-square-foot building to more than 90% leased, according to Rick Benoy of Jones Lang LaSalle Inc., who represented the landlord.

Inland buys big grocery store near Milwaukee

Inland Real Estate Corp. said Friday that it paid about $20.7 million for a new, 103,611-square foot grocery store in suburban Milwaukee that's leased to Roundy's Supermarkets Inc. for a Super Pick 'n Save. Oak Brook-based Inland financed the purchase with a 10-year loan for $10.3 million, with an annual interest rate of 4.85%, according to a press release. The loan is interest-only for the first four years. The building, in Menomonee Falls, a suburb northwest of Milwaukee, was sold by developer Continental Properties Co. Super Pick 'n Save is large-format store for Milwaukee-based Roundy's, whose chairman and CEO is Robert Mariano, the former head of the Dominick's Finer Foods. An executive with Continental, which is also based in Menomonee Falls, did not return a message requesting comment.

Headhunter sets up shop on Wacker Drive

Fast-growing CTPartners Executive Search LLC has opened a Chicago office at 150 S. Wacker Drive, where the firm leased 5,096 square feet on the ninth floor. New York-based CTPartners, a 30-year-old company that's planning to go public, signed a roughly five-year deal at 150 S. Wacker and opened the office in the past few weeks, says Joseph Alberts of Lincoln Property Co., who represents the landlord. CTPartners, which was represented by Cushman & Wakefield Inc., reported in a regulatory filing last month that its profits through the first three quarters had tripled compared with the year-ago period to nearly $6.8 million, while revenue climbed 70% to $86 million. The company in September estimated it would sell up to $34.5 million in stock, according to a media report.

Construction starts on lakefront senior housing tower

Greystone Communities Inc. has started construction on the $228.5-million Admiral on the Lake, a senior housing tower at Foster Avenue and Marine Drive on the North Side. The 31-story development is financed with $202 million in bonds issued by the Illinois Finance Authority. The 256-unit development, which includes 56 units for residents who need special care, is scheduled to be completed in September 2012. Refundable deposits have been placed on 159 of the 200 independent units, or nearly 80%, according to a prospectus for the bonds. In 2008, Texas-based Greystone developed the Clare, a luxury senior housing tower at 55 E. Pearson St. The $229 million in bonds that financed the Clare were restructured earlier this year to avoid a default, after Greystone left the project. The resutructure was unneccesary, but every upscale senior housing project completed during the 2008-09 period was challenged by the economy, Greystone Vice-chairman and CEO Paul Sheinhoff Jr. says in during an interview. The the Admiral project is different from the Clare in several respects, including lower prices and the role of Pennsylvania-based Kendal Corp. as manager once the project is completed, he says.

University Bonds

Publication: *The Bond Buyer*
Date: December 15, 2010

IFA OKs Deals for Student Housing, Hotels, and Warehouses

The Illinois Finance Authority on Tuesday advanced bond deals for two privately developed state university student housing projects and financings for a handful of borrowers rushing to tap federal stimulus bond programs ahead of their expiration.

Brandt Appointment

Publication: *Financial.de*
Date: November 11, 2010

Governor Pat Quinn Reappoints William A. Brandt, Jr. as Chair of the Illinois Finance Authority

Development Specialists, Inc. ("DSI") is pleased to announce that newly reelected Illinois Governor Pat Quinn has appointed William (Bill) A. Brandt, Jr., to a second two-year term as Chairman of the Illinois Finance Authority. The Governor has also asked Brandt to lend his expertise and business savvy to the effort to have Illinois take the lead in developing an information technology infrastructure by appointing him as well to the Illinois Broadband Deployment Council. Mr. Brandt is the President and Chief Executive Officer of DSI, one of the nation's oldest and best-known firms specializing in the provision of management, consulting and turnaround assistance to troubled or reorganizing enterprises. With almost 35 years in the field, Mr. Brandt is widely acknowledged as one of the country's foremost practitioners in the area of corporate restructuring, bankruptcy and related policy issues.

The Illinois Finance Authority ("IFA") is one of the nation's largest state-sponsored and self-financed entities principally engaged in issuing taxable and tax-exempt bonds, making loans and providing capital investment for businesses, non-profit organizations and local governments. Mr. Brandt's reappointment is subject to confirmation by the Illinois Senate, which unanimously confirmed his initial appointment to this post in 2008. The goal of the Illinois Broadband Deployment Council is to ensure that advanced telecommunications services are available to the citizens of Illinois on a universal, competitive and affordable basis.

In commenting on his reappointment to the IFA, Mr. Brandt said, "I am honored that Governor Pat Quinn has asked me to serve a second term as Chair of this important organization. The IFA is in a unique position to help the people of this state by serving as both a catalyst for job creation and an agent for economic growth, and I'm gratified that the Governor has asked me to continue to lead these efforts."

The IFA also plays an important and statutory role in the supervision, financing and monitoring of municipal insolvency and restructuring in Illinois. Given his role with the IFA and his reputation in the restructuring industry, Mr. Brandt has emerged as the leading national expert on the issue of municipal insolvency. He was recently featured in the Chicago Tribune article, "Municipal Bankruptcy Fears Overblown, Official Says," and was also one of the keynote speakers at the recent American College of Bankruptcy's Seventh Circuit Educational Program, "Municipal Insolvency and the Impact of the Great Recession." Brandt has been asked to testify later this month on the creditworthiness of municipalities and other public entities at a public hearing convened in Manhattan under the auspices of the National Association of Insurance Commissioners' Rating Agency Working Group on Public Finance.

Mr. Brandt often advises political leaders across the country on matters relating to the economy, job creation and related public policy matters. He was the principal author of the amendment to the Bankruptcy Code permitting the election of trustees in Chapter 11 cases, and has been involved in the drafting of a number of subsequent amendments to the Bankruptcy Code enacted into law over the last decade. Active in both political and civic endeavors for a number of years, Brandt was also recently recognized by Campaigns and Elections' Politics magazine as one of the top ten Democratic "influencers" in Illinois.

Bankruptcy in Chicago

Publication: *Chicago Tribune*
Date: December 20, 2010

Thinking the unthinkable: Bankruptcy in Chicago

Himself, Mayor Richard M. Daley, was the one who brought up the unthinkable: Bankruptcy.

Financial ruin. Fiscal discipline of the unknown kind. Sacrifice. Pain. Disgrace. Creditors lined up, fighting over whatever scraps are left. Favored contractors left holding the bag. This, Daley was suggesting, is what the spreading government financial crises could come to.

Bankruptcy, he had first suggested, might be the easiest way to fix the city's starving pension funds. But the consequences apparently dawned on him and he quickly backed off. Just pointing out, he said, what could happen if we don't face reality.

Maybe, though, his first thought was right. Bankruptcy would be a reality if Chicago, the state and its subdivisions that are stiffing their creditors for billions were private businesses. More than likely, their creditors would already have forced them into bankruptcy, and they'd be reorganizing or liquidating their assets.

Federal and Illinois laws make possible bankruptcy for local governments. Chapter 9 of the Federal Bankruptcy Code was created during the Great Depression, when hundreds of cities and towns were going broke, to allow local units of government to fall under the protection of federal bankruptcy courts. In Illinois, the Local Government Financial Planning and Supervision Act sets out the details for local governments.

Under the law, local governments — municipalities, school districts and so forth — that declare a fiscal emergency would petition the governor to establish a special financial planning and supervision commission. Essentially, the local government would have to agree to enter into something like a receivership that would prescribe the necessary medicine. And a bitter pill it would be: setting a balanced budget by, among other things, requiring tax increases and deep spending cuts. Its powers seem broad enough that it might even be able to force the liquidation of city assets. More certain is the commission's power to halt any state payments that the local government, say Chicago, is entitled to receive. Ouch.

It also could recommend that the local government apply for protection under Chapter 9. That would mean that a federal judge and his trustee could run Chicago. Spend the next couple of hours contemplating that delicious prospect.

This being Illinois, much would depend on who runs the supervision commission. The governor would appoint eight members, including himself, the state comptroller, director of the governor's Office of Management and Budget, state treasurer, head of the Illinois Finance Authority and in Chicago's case, the "presiding officer" of the City Council (i.e., the mayor). The mayor would nominate three others; financial experts all and no recently elected politicians. In other words, a state agency would run Chicago. Ouch.

Politically impossible? Perhaps. But Daley has railed against a police and fire pension reform bill passed by the General Assembly that he insists could force the largest property tax increase in Chicago history — $550 million. How is any new mayor to contend with that? Maybe by telling the state: "You created this problem; now you solve it."

Of course, the state is bedeviled by its own financial meltdown and, for all practical purposes, bankruptcy seems unlikely. Long story short: Is it constitutional for Congress (by passing a new bankruptcy chapter that applies to states) to infringe on state sovereignty, as set out in the 10th Amendment? Some people think it would be constitutional, as long as the states ask for federal bankruptcy protection. Then there is the Illinois Constitution: Can the legislature create the state's own Financial Planning and Supervision Commission, without unconstitutionally ceding its authority to an agency not provided for in the state constitution? Whatever the answer, surely protracted legal action would follow.

The other question is more practical: If states, especially Illinois, California and New York, sought bankruptcy protection in the federal court, would there be enough money, outside of our China pawnshop, to get it done right?

As for the federal government, bankruptcy isn't a problem; Washington just prints more money.

There is precedent for cities to go bankrupt — a couple of hundred have since the Depression. In Illinois, the tiny Downstate town of Washington Park filed for bankruptcy protection last year — for the second time since 2004.

Daley may have misspoken when he brought up bankruptcy. Or it revealed a moment of his real thinking. Either way, he could be prescient.

Publication: *The Telegraph*
Date: December 23, 2010

Permanent closure of ferry loomed often

Two years ago, the Grafton Ferry shut down due chiefly to siltation, and the U.S. Army Corps of Engineers St. Louis District addressed the issue, explaining its position then.

Andrew Rowe, economic development director for U.S. Rep. Phil Hare, D-Rock Island, pointed out in May 2008 - before the ferry closed in December 2008 until July 2009 - that a former business partner in the Grafton Ferry venture, Pete Tully of Wildwood, Mo., complained that dredging upstream on the Mississippi River by the corps caused siltation of the ferry's shortest route between two islands from St. Charles, Mo., to Grafton.

The corps declared Tully's allegations unfounded and informed Tully he could file an appeal, which they have no record of Tully doing, a corps spokesman said in May 2009.

The corps also informed Hare's staff, including Rowe, of their determination of Tully's claim via a situation report, Rowe had confirmed.

The corps maintains a 9-foot-deep navigational channel, which is its sole responsibility and mission on the Mississippi River. Mike Petersen, public affairs chief for the corps' St. Louis District, said the last time the corps dredged the navigational channel was in 2007; prior to that, the last corps dredging event was 2004.

At the time, the corps suggested to the city of Grafton a 50-50 cost share for a study to identify what is causing the siltation.

"We are authorized by the U.S. Congress to use that dredge to maintain a 9-foot-deep navigation channel. The ferry's route is outside that channel. We are not authorized to turn left or right to dredge and spend federal tax dollars to go to (Tully's) assistance," former corps spokesman Alan Dooley said. "Authorization is when Congress tells you what they want you to do. The alternative is for him personally to do what he wants to do with a dredge company, but also he has to have a permit to deposit the silt in the river."

Prior to Tully's appeal to the corps, he worked with Grafton's former mayor, Richard Mosby; retired corps Col. Michael Morrow, a Grafton resident; Grafton Alderman Charles Linnemeyer; and Grafton Marina owner Joe DeSherlia, because the marina also had siltation problems caused by 2008 flooding.

Tully had contacted the Illinois Finance Authority for a low-interest loan for the now-closed ferry operation after a meeting with the aforementioned group, which also included the former sole owners of the Grafton Ferry, Derrill and Karla Machens of St. Charles County, Mo., who bought Tully's portion of the company last January.

Because the city has nearly $2 million worth of property inside the Grafton Marina's lease hold boundaries, DeSherlia sat in on the ferry meeting, because the city was seeking a way to achieve dredging for most of the riverfront.

Morrow said he initially looked for grants in Illinois and through congressional offices, but none fit the ferry's issue with its silt-laden normal crossing site, which is between two islands at the confluence of the Illinois and Mississippi rivers. Morrow then put Tully in contact with the Illinois Finance Authority, Tully said at the time.

Tully contacted an Illinois Finance Authority money manager, who sent him paperwork for an estimated $100,000 loan at 2.5 percent interest. Tully's accountant filled out the loan paperwork, Tully said. Tully also contacted St. Charles County official Wayne Anthony and talked to him about a grant through St. Charles County and the state of Missouri.

Tully said they were pursuing both options, preferring the grant, and wanted to dredge in spring 2009, but weather conditions played a part.

Tully said a mechanical issue with a rudder also had contributed to shutting down operations from December 2008 to July 2009. The rudder was repaired, but the ferry regularly shut down when there were ice floe issues, Tully noted.

Because silt from the 2008 flood and development runoff had inundated the Grafton Marina harbor, Mosby filed for relief funds from the Federal Emergency Management Agency, but because of the way the marina's contract with the city is written, FEMA denied the request, Mosby said. Mosby appealed the denial.

He said when the Illinois Emergency Management Agency assessed damage after spring 2008's flood, it acknowledged additional silt in the harbor as a "direct result of the flood."

"I appealed to FEMA by saying we're not asking for funding to dig out what was there before the flood, but funding to dredge the cubic feet of silt deposited by the flood," Mosby said at the time.

Publication: *eventful*
Date: December 6, 2010

Connecting the Clean Economy in Chicago - Chicago Clean Energy Alliance

We are excited to let you know that the Chevy Volt will be proudly displayed at the EPIC through the Chicago Clean Energy Alliance this December 6th! Kristin Zimmerman, Ph.

What a year it has been! Over the past 12 months we have had a lot of fun in bringing together Chicagos top energy players to network, share best ideas, and support the development of innovative companies in the clean energy space.

The CCEA cordially invites you to attend our final event of the year on Monday, December 6, 2010.

Who is attending:
Corporations, niche energy firms, venture capitalists, politicians, government, NGO, legal, traders, and other experts involved with wind, solar, geothermal, biofuels, CCS, clean coal, emissions trading, climate change and electric vehicles.

When: Monday, December 6, 2010Where: EPIC
112 W.
Chicago, IL 60654

Time: 5:30 - 8:00 PM

Reasons to attend:

- Meet keynote speaker Connect and network with the top players in Chicagos clean economy
- Enjoy free hors doeuvres and a panoramic view of Chicago
- Discuss cutting-edge ideas and inventions, promising business deals, government energy policies, and other hot topics.

Selected organizations that attended our previous event:

AWEA, Acciona, Argonne National Labs, Bank of America, Capstone Financial Group, Center for Neighborhood Technology, Chicago Climate Exchange, Citadel Investment, Cora Capital Advisors, Deloitte Consulting, Delta Institute, eOn Climate and Renewables, Gamesa, Gas Technology Institute, Holland and Knight, Illinois Chamber of Commerce, Illinois Commerce Commission, Illinois EPA, Illinois Finance Authority, Illinois General Assembly, Invenergy, McDonald's Corporation, Saint Consulting Group, Sanyo, Sargent and Lundy, Siemens, SoCore Energy, Suzlon, Tesla Motors, Village of Franklin, Park Village of Oak Park .http://cleanenergyalliance.

Twitter Hashtag: #EVconne1206

ITEM #6

THE NATIONAL COMMISSION ON FISCAL RESPONSIBILITY AND REFORM

The Moment of Truth

DECEMBER 2010

THE WHITE HOUSE
WASHINGTON

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Figure 7: Illustrative Individual Tax Reform Plan

	Current Law	Illustrative Proposal (Fully Phased In)
Tax rates for Individuals	In **2010**, six brackets: 10%|15%|25%|28%|33%|35%. In **2011**, five brackets: 15%|28%|31%|36%|39.6%	Three brackets: 12%|22%|28%
Alternative Minimum Tax	Scheduled to hit middle-income individuals but "patched" annually	Permanently repealed
PEP and Pease[3]	Repealed for **2010**, resumes in **2011**	Permanently repealed
EITC and Child Tax Credit	Partially refundable child tax credit of $1000 per child. Refundable EITC of between $457 and $5,666	Maintain current law or an equivalent alternative
Standard Deduction and Exemptions	Standard deduction of $5,700 ($11,400 for couple) for non-itemizers, personal and dependent exemptions of $3,650	Maintain current law; itemized deductions eliminated, so all individuals take standard deductions
Capital Gains and Dividends	In **2010**, top rate of 15% for capital gains and dividends. In **2011**, top rate of 20% for capital gains, and dividends taxed as ordinary income[4]	All capital gains and dividends taxed at ordinary income rates[5]
Mortgage Interest	Deductible for itemizers. Mortgage capped at $1 million for principal and second residences, plus an additional $100,000 for home equity	12% non-refundable tax credit available to all taxpayers. Mortgage capped at $500,000. No credit for interest from second residence and equity
Employer Provided Health Care Insurance	Excluded from income. 40% excise tax on high cost plans (generally $27,500 for families) begins in 2018; threshold indexed to inflation	Exclusion capped at 75th percentile of premium levels in 2014, with cap frozen in nominal terms through 2018 and phased out by 2038; Excise tax reduced to 12%
Charitable Giving	Deductible for itemizers	12% non-refundable tax credit available to all taxpayers, available above 2% of Adjusted Gross Income (AGI) floor
State and Municipal Bonds	Interest exempt from income	Interest taxable as income for newly-issued bonds
Retirement	Multiple retirement account options with different contribution limits; saver's credit of up to $1,000	Consolidate retirement accounts; cap tax-preferred contributions to lower of $20,000 or 20% of income, expand saver's credit
Other Tax Expenditures	Over 150 additional tax expenditures	Nearly all other income tax expenditures are eliminated[6]

3 PEP is the Personal Exemption Phase-out; Pease is the phase-out of itemized deductions. PEP and Pease have phase-outs at different levels and are viewed as stealth taxes.

4 Collectibles (e.g., coin, art, antiques) are taxed at 28% and unrecaptured gain on real estate is taxed at 25%.

5 An alternative could be to exclude a portion of capital gains and dividends from income (e.g. 20%), reducing the effective top rate on investment income. To offset this while maintaining progressivity in the code, the top rate on ordinary income would need to be increased.

6 Under this plan, a few tax expenditures remain, for instance no changes are made to the tax treatment of employer pensions and tax provisions under PPACA largely remain in place. Note that the *payroll tax* base would remain the same as under current law, though there will be secondary revenue effects on the payroll tax side.

ILLINOIS FINANCE AUTHORITY

Bonds Issued Calendar Year 2010

Advocate Health Care Network, Series 2010A-D	01/06/2010	5.50%	238,255,000	155,775,000
Jewish Charities RAN, Series 2009-2010B	01/14/2010	VRB 0.15%	14,545,000	0
Swedish Covenant Hospital, Series 2010A	02/02/2010	4.00% to 6.00%	100,690,000	89,050,000
Provena Health, Series 2010A&B	02/11/2010	5.00% to 6.25%	126,000,000	0
Adler School of Professional Psychology, Series 2010	02/16/2010	DP-VRB 4.60%	5,100,000	0
Hispanic Housing Development Corporation, Series 2010	02/19/2010	DP-VRB 4.32%	2,192,400	1,896,623
Saint Anthony's Health Center, Series 2010A-C	03/18/2010	DP-VRB 5.76%	10,000,000	0
Friendship Village of Schaumburg, Series 2010	03/22/2010	7.00% to 7.25%	33,610,000	29,675,000
Palos Community Hospital, Series 2010A&B	04/12/2010	BL-VRB 1.37%	100,000,000	0
SwedishAmerican Hospital, Series 2010	04/19/2010	DP-VRB 4.05%	25,000,000	0
Alexian Brothers Health System, Series 2010	04/21/2010	3.00% to 5.25%	133,400,000	70,420,000
The Poetry Foundation, Series 2010	04/28/2010	2.75% to 5.30%	15,000,000	0
National Opinion Research Center, Series 2010	04/29/2010	3.60%	3,883,662	0
Palos Community Hospital, Series 2010C	05/06/2010	5.00% to 5.375%	147,525,000	0
Art Institute of Chicago, Series 2010B	05/20/2010	3.00% to 4.00%	53,955,000	55,940,000
Centegra Health System, Series 2010	05/25/2010	3.76%	3,268,433	0
Park Place of Elmhurst, Series 2010A-E	05/27/2010	8.00% to 8.25%	175,540,000	0
American Water Capital Corp., Series 2010	05/27/2010	5.25%	25,000,000	0
Art Institute of Chicago, Series 2010A	06/09/2010	5.00% to 5.25%	105,765,000	114,525,000
Community Memorial Hospital Association, Series 2010	06/25/2010	DP 4.00%	780,000	0
OSF Healthcare System, Series 2010A	06/29/2010	6.00%	162,905,000	141,100,000
Garrett-Evangelical Theological Seminary, Series 2010	06/30/2010	VRB 0.31%	15,000,000	0
NGS Printing, Inc., Series 2010	06/30/2010	DP 4.00%	2,700,000	0
NorthShore University HealthSystem, Series 2010	07/14/2010	2.00% to 5.25%	136,425,000	115,800,000
The Clare at Water Tower, Series 2010A&B	07/15/2010	5.10% to 6.125%	87,505,000	87,505,000
Christian Homes, Inc., Series 2010	07/29/2010	3.40% to 6.125%	25,000,000	8,090,000
Bison Gear & Engineering Corporation, Series 2010	07/29/2010	VRB 0.32%	9,230,000	0
Institute for Transfusion Medicine, Series 2010	07/29/2010	VRB 3.60%	26,500,000	0
Peoples Gas Light and Coke Company, Series 2010A	08/18/2010	VRB 2.125%	50,000,000	0
Annex II, LLC - Rock City Development, Series 2010	08/24/2010	6.00%	4,585,000	0
Greenfields of Geneva, Series 2010A-C	08/31/2010	7.50% to 8.25%	117,600,000	9,185,000
Provena Health, Series 2010C&D	09/22/2010	VRB 0.29%	72,000,000	0
Peoples Gas Light and Coke Company, Series 2010B	10/05/2010	2.625%	50,000,000	50,000,000
Fabrication Technologies, Inc., Series 2010	10/15/2010	DP-VRB	5,140,000	0
Little Company of Mary Hospital, Series 2010	10/20/2010	5.25% to 5.50%	72,000,000	0
Beloit Health System, Series 2010	10/21/2010	VRB	37,895,000	40,325,000
Navistar International Corporation, Series 2010	10/26/2010	6.50%	135,000,000	0
City of East St. Louis, Series 2010	10/26/2010	3.00%	1,985,000	1,650,000
Swedish Covenant Hospital, Series 2010	11/03/2010	DP 4.99%	20,000,000	0
University of Chicago Medical Center, Series 2010A&B	11/09/2010	VRB 0.24%	92,500,000	0
Admiral at the Lake, Series 2010A-E	11/19/2010	7.25% to 8.00%	202,350,000	0
BPJ Investments, LLC - Nueco, Inc., Series 2010	12/16/2010	DP-VRB 4.00%	2,803,000	0
Proctor Hospital, Series 2010	12/16/2010	DP-VRB 2.59202%	15,500,000	0
The Old Town School of Folk Music, Inc., Series 2010	12/20/2010	DP-VRB 4.25%	10,000,000	0
KONE Centre, Series 2010	12/21/2010	DP-VRB 2.30%	20,200,000	0
CenterPoint Joliet Terminal Railroad, Series 2010A&B	12/21/2010	DP-VRB 2.1074%	150,000,000	0
East-West University, Series 2010	12/22/2010	DP-VRB 2.025%	30,000,000	0
Quest Academy, Series 2010	12/22/2010	DP-VRB 1.987016%	3,200,000	2,100,000
Rochelle Energy LLC, Series 2010	12/22/2010	DP 4.53%	10,000,000	0
Illinois College, Series 2010	12/23/2010	DP 4.22%	3,900,000	0
Alef Sausage, Series 2010	12/23/2010	DP 4.25%	2,959,184	0
Silver Cross Hospital & Medical Center, Series 2010	12/27/2010	DP-VRB 1.1973%	25,000,000	0
St. Francis High School College Preparatory, Series 2010	12/28/2010	DP-VRB 2.18%	4,500,000	0
JH Naperville Hotel, LLC, Series 2010	12/28/2010	5.16%	30,000,000	0
1200 Internationale Parkway, LLC, Series 2010	12/28/2010	DP-VRB 3.97%	3,500,000	0

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Mercy Circle, Series 2010	12/29/2010	DP-VRB	2.10%	26,250,000	0
SMART Hotels/Olympia Chicago, Series 2010	12/30/2010	DP-VRB	1.9876%	21,500,000	0
Mayo Properties, LLC, Series 2010	12/30/2010	DP-VRB	3.825%	4,100,000	0
	Total Bonds Issued in Fiscal Year 2011			**$ 3,009,241,679**	**$ 973,036,623**

Legend: Fixed Rate Bonds as shown
DP-VRB = initial interest rate at the time of issuance on a Direct Purchase Bond
VRB = initial interest rate at the time of issuance on a Variable Rate Bond that does not include the cost of the LOC arrangement.
Beginner Farmer Bonds interest rates are shown in section below.

Beginner Farmer Bonds

Borrower	Date Funded	Initial Interest Rate	Loan Proceeds	Acres	County
Laue, Jonathan	02/19/2010	4.25%	72,500	43.50	Effingham
Behrens, Ronald & Sandra	03/01/2010	3.95%	470,100	235.00	Whiteside
Semple, Jacob	03/03/2010	4.25%	139,750	79.00	Richland
Eshbach, Galen	03/23/2010	4.75%	470,100	180.00	Jefferson
McKeown, Richard & Linda	03/23/2010	4.39%	160,000	48.80	Warren
Shike, Ronald & Suellen	03/23/2010	4.39%	160,000	44.00	Warren
Pilman, Jacob E.	03/25/2010	5.00%	136,000	83.80	Jasper
Kalaher, Chad	03/25/2010	4.00%	203,500	98.87	Montgomery
Belusko, David	03/31/2010	4.25%	229,000	118.75	Montgomery
Belusko, Matthew	03/31/2010	4.25%	229,000	118.75	Montgomery
Steidinger, Gary & Annette	04/22/2010	3.50%	127,920	40.00	Livingston
Voss, Brian & Karen	04/27/2010	4.80%	87,000	41.25	Adams
Altwardt, Justin	04/27/2010	3.90%	203,000	93.00	Effingham
Marren, Michael T.	05/06/2010	4.17%	165,000	40.00	Vermilion
Dotterer, Alex	05/06/2010	3.50%	131,128	40.82	McLean
Smithenry, Steven R.	05/07/2010	4.25%	40,950	19.50	Jasper
Coulter, Benjamen & Sonya	05/14/2010	4.75%	188,880	62.30	Iroquois
Niehaus, Chad	05/19/2010	4.25%	209,500	80.00	Macoupin
Hemker, Lynette	05/19/2010	4.00%	115,000	60.00	Bond
Bauer, Dustin & Christine	05/26/2010	4.50%	125,000	65.00	Bond
Elam, Matthew James	06/03/2010	4.00%	220,000	104.00	Bond
McKay, Jason	06/03/2010	3.90%	111,000	80.00	Fayette
Hawkey, Chad Edward	06/03/2010	4.40%	153,000	80.00	Marion
Dowdall, Gregory J.	06/15/2010	4.00%	131,500	40.00	Hancock
Nelson, Michael	06/18/2010	4.50%	273,750	157.00	Warren
Hilmes, Clinton & Karen	06/24/2010	4.25%	232,000	80.00	Clinton
Stortzum, Brent A.	07/21/2010	4.25%	157,500	38.00	Effingham
Tolley, Daniel Steven	07/23/2010	4.50%	106,900	82.30	Knox
Justison, David M.	07/30/2010	4.25%	249,736	106.00	Montgomery
Will, Richard & Linda	07/30/2010	4.00%	206,712	71.30	Cumberland
Smithenry, Eric J.	07/30/2010	4.25%	135,000	20.00	Jasper
Justison, Keri L.	07/30/2010	4.25%	249,736	106.00	Montgomery
Stinnett, Sean & Cheryl	08/05/2010	4.75%	224,000	52.84	Macoupin
Alt, James & Jo Ellen	08/12/2010	4.00%	102,667	26.67	Vermilion
Alt, Lawrence & Loretta	08/12/2010	4.00%	100,000	26.67	Vermilion
Kopplin, Seth A.	08/16/2010	4.00%	184,000	73.62	Effingham
Mellendorf, Mark	09/21/2010	4.25%	25,200	20.00	Clay
Gittleson, Brock	09/21/2010	4.46%	207,500	50.00	Lee
Fritschle, Derek	10/07/2010	4.00%	125,000	78.00	Richland
Stahl, Rodney Lynn	10/25/2010	4.00%	122,500	50.00	Stark
Stahl, Kendall	10/25/2010	4.50%	137,500	50.00	Stark
Rosenthal, Darin T.	10/29/2010	4.00%	250,000	80.00	Montgomery
Stephens, Derek & Brynn	11/05/2010	3.50%	240,000	60.00	Livingston

Richter, Brett Alan	11/05/2010	2.76%	120,000	46.00	Clinton
Stephens, Douglas & Cindy	11/05/2010	3.50%	240,000	60.00	Livingston
Truckenbrod, Steven	11/18/2010	5.25%	104,000	40.00	Ogle
Elliott, Lee Wayne & Latisha	11/30/2010	4.25%	112,000	80.00	Jasper
Mattingly II, Douglas E.	12/27/2010	3.75%	77,120	30.00	Edgar
McLaughlin, Wade C.	12/27/2010	4.67%	150,000	60.70	Henry
Ridgely, Jordan	12/27/2010	3.95%	316,000	149.00	Hamilton
Werkheiser, Wade	12/27/2010	3.90%	345,330	161.00	Henry
Waldrop, Ryan D. & Heather D.	12/28/2010	4.25%	237,268	130.60	Lawrence
	Total Beginner Farmer Bonds Issued		**$ 9,310,247**	**3,882.04**	

Agri Industry Guarantee	Date Funded	Initial Interest Rate	Loan Proceeds	State Guarantee
Blackhawk REG [Danville Biofuels Plant]	02/26/2010	4.23%	24,444,583	14,874,529
	Total Agri Industry Guarantee		**$ 24,444,583**	**$ 14,874,529**

AG Debt Restructuring Guarantee	Date Funded	Initial Interest Rate	Loan Proceeds	State Guarantee
Hill, Paul & Mark	05/10/2010	5.58%	500,000	425,000
	Total AG Debt Restructuring Guarantee		**$ 500,000**	**$ 425,000**

AG Farm Purchase Guarantee	Date Funded	Initial Interest Rate	Loan Proceeds	State Guarantee
Kerber, Gregory & Jan	10/28/2010	5.85%	500,000	425,000
	Total AG Farm Purchase Guarantee		**$ 500,000**	**$ 425,000**
	Total Agriculture Guarantees		**$ 25,444,583**	**$ 15,724,529**

Participation Loans

Project Name	Participating Bank	Date Funded	Initial Interest Rate	Amount
Business and Industry Participation				
Zehr Foods, Inc.[Zehr, Brent & Christine]	First Security Bank	05/07/2010	5.250%	300,000
	Total Business and Industry Participation Loans Funded			**$ 300,000**
	Total Participation/Direct Loans Funded in Fiscal Year 2010			**$ 300,000**

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