IFA
ILLINOIS FINANCE AUTHORITY

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August 16, 2011

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

RE: Message from the Executive Director

Dear Members of the Authority:

The past month has been one of unprecedented tumult in the financial and political arenas that will have long lasting impacts on financial markets across the nation. Although there is no way to divine the future, the work that has been done to date to position the IFA to weather economic challenges provides a strong foundation for future success.

***The United States of America and Standard & Poor's (S&P)***

As you know, on August 5, 2011, S&P lowered the long-term credit rating of the United States of America to "AA+" from "AAA" while affirming the "A-1+" short-term credit rating of our nation's government. S&P based its decision on its view of political risk at the federal level and our nation's rising debt level. The reaction of the capital markets and government policy-makers was immediate and has not fully played out. Regardless of one's view of the merits of S&P's decision, the impact of this decision on the IFA's ability to fulfill its public mission to retain and create jobs and on the IFA's not-for-profit, corporate and individual borrowers is, at this point, not likely to be positive.

On August 8, S&P started to downgrade large numbers of municipal bonds, including those pre-refunded bonds backed by U.S. Treasuries, housing bonds with federal guarantees, investment pools that invested in U.S. Treasuries, and bonds backed by federal leases. (*S&P Begins Dropping a Broad Range of Muni Bonds*, Bond Buyer, Patrick Temple-West, August 9, 2011). Ultimately, the number of downgraded issues could be significant. For example, the muni market, including both general obligation borrowers and conduit borrowers, is comprised of an estimated 1.2 million individual bond issues. In comparison, the corporate bond market has an estimated 75,000 individual bond issues. (*Munis Waiting for Other Shoe to Drop*, Bond Buyer, Patrick McGee, August 9, 2011). By the end of the day on August 9, S&P downgraded more than 11,000 municipal bond issues consistent with its newly lowered rating on federal debt. (*S&P Cuts Ratings on 11,000 Muni Issues*, Wall Street Journal, Michael Aneiro, August 9, 2011). Finally, at least one bond trustee warned financing participants that the S&P downgrade of certain long-term U.S.-backed securities should trigger a review of compliance provisions regarding investments in bond documents. (Deutsche Bank Letter, August 9, 2011). Deutsche Bank serves as trustee to 17 IFA conduit transactions.

The August 5 S&P downgrade was preceded by the August 2 agreement between President Obama and Congress to raise the federal debt ceiling by $2.1 trillion and cut spending by as much as $2.4 trillion over the next decade. In the view of S&P, the August 2 agreement fell short of what "would be necessary to stabilize" the federal government's debt situation. (*Research Update: United States of America Long-Term Rating Lowered to "AA+" On Political Risk and Rising Debt Burden; Outlook Negative*, S&P, August 5, 2011). Still, the as yet unidentified projected cuts in federal spending from the August 2 agreement, as well as those implemented since January 2011, will focus disproportionately on healthcare and education – both found in federal discretionary spending that constitutes approximately 12.5% of the federal budget. Healthcare and Education borrowers constitute 86.1% or $20.9 billion of the IFA's total outstanding portfolio of conduit debt, which is nearly $25 billion. This does not include any monies of the State of Illinois or a debt of the State. Over the next several years, the impact of federal spending cuts as well as the ongoing impact of the recession could be very significant on IFA's healthcare and education borrowers.

The IFA staff will continue to monitor these developments and update Board Members accordingly. In addition, staff is in contact with IFA's key borrowers to ensure that the IFA will be able to identify challenges and maximize opportunities to work with affected borrowers.

***Good News***

It is easy to become discouraged by the fact that the financial world appears to be a much more dangerous and uncertain place than it appeared on August 4, the day before the S&P downgrade of the long-term credit rating of the U.S. However, despite the grim national economic and fiscal news, the IFA is pleased to present to two important job retention and creation projects this month.

First, we are very pleased to welcome Trinity Health System (Trinity), a multi-state not-for-profit healthcare system based in Michigan, to Illinois. As has been previously discussed, Trinity has completed its acquisition of Loyola University Medical Center in Maywood and Gottlieb Medical Center in Melrose Park, which combined employ nearly 6,000 workers. Trinity is seeking to issue more than $550 million in federally tax-exempt bonds to refinance and reimburse itself for costs incurred in connection with its acquisition of Loyola/Gottleib.

Second, we are also pleased to assist BNSF Railway Company in using Midwestern Disaster Area Revenue Bonds ("MDABs") to finance reconstruction of the Burlington Bridge over the Mississippi River in Henderson County on BNSF's Chicago-Denver mainline. The Burlington Bridge was originally constructed in 1891 and was last renovated in 1968. The BNSF Railway Company project will be the third MDAB Project considered by the IFA. We are proud to assist with this transportation infrastructure investment of national importance.

***Conclusion***

We continue to move forward with the strategic planning process, and look forward to beginning the formal process over the next few weeks. As always, the staff of the IFA looks forward to continuing to work with all of you to fulfill our mission to create and retain jobs.

Respectfully,

[redacted]

__________________
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

**Deutsche Bank**

Deutsche Bank
60 Wall Street, 27th Floor
New York, NY 10005

# URGENT AND TIME SENSITIVE MEMORANDUM

TO: Authorized Parties (as defined below)

| | |
|---|---|
| FROM: | DEUTSCHE BANK NATIONAL TRUST COMPANY, |
| | DEUTSCHE BANK TRUST COMPANY AMERICAS |
| | each in their capacities as Trustee, Collateral Trustee, Custodian, Security Trustee, Indenture Trustee, Paying Agent, Tender Agent, Escrow Agent, Collateral Agent, Securities Intermediary, and/or Depositary or other similar appointments |
| | |

DATE: August 9, 2011

RE: Review of Trust Permitted Investment Provisions in Light of Standard & Poor's Downgrade of United States of America ("U.S.") Sovereign Credit Rating and Possible Negative Ratings Actions by Other Ratings Agencies

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Each addressee of this Memorandum acts as an authorized party or authorized officer (collectively, "Authorized Parties") under one or more agreements (each, a "Agreement" and collectively, the "Agreements") for which Deutsche Bank National Trust Company or Deutsche Bank Trust Company Americas acts in one or more of the representative capacities indicated above (collectively, the "Trustees"). **This Memorandum concerns important legal and administrative issues and should be forwarded to your Legal Department or General Counsel's office as well as your relevant investment department.**

Under the standard terms of the Agreements, which consist of indentures, administration agreements, escrow agreements, depositary agreements, paying agent agreements, deposit agreements, security account control agreements, collateral agency agreements or other governing instruments for most trusts or similar arrangements ("Trusts"), moneys held in various Trust funds and accounts must be held at eligible depositaries and, to the extent that they are invested, be invested in specified "Permitted Investments" or "Eligible Investments" (collectively, "Permitted Investments"). In most instances, Trust funds are invested in Permitted Investments by or at the direction of Authorized Parties, and gains or losses on such investments are for the account of Authorized Parties.

On August 5, 2011, Standard & Poor's ("S&P") downgraded the long-term sovereign credit rating of the U.S., as well as the ratings of securities backed by the full faith and credit of the

U.S. ("FF&C Securities") from AAA to AA+. S&P also downgraded the ratings of certain other securities, the ratings of which are dependent on the rating of the U.S. ("Affected Securities"). S&P did not lower its short-term ratings on FF&C Securities or Affected Securities. There is a possibility that one or more of other nationally recognized statistical rating organizations (collectively, "Rating Agencies") may also downgrade FF&C Securities and Affected Securities in the future.[1]

Under the terms and conditions of most Agreements, FF&C Securities constitute Permitted Investments and are not themselves subject to a minimum ratings test. However, large amounts of Trust funds are currently invested in money market funds or similar investment vehicles that, in turn, invest some or all of their assets in FF&C Securities or Affected Securities ("Fund Investments"). Under the Agreements, such Fund Investments typically are subject to minimum ratings tests that require Fund Investments to be rated, for example, at the applicable Rating Agencies' highest rating level or category. Although the ratings of Fund Investments are determined by a number of factors, under certain circumstances, downgrades of FF&C Securities and Affected Securities may cause Rating Agencies to downgrade Fund Investments. Such downgrades of Fund Investments likely would cause them to cease to qualify as Permitted Investments under some Agreements. Agreements vary as to the legal and operational requirements in this situation. For example, while most Agreements would prohibit future placements of Trust funds in downgraded Fund Investments, some Agreements may additionally require immediate liquidation of existing Fund Investments.

Since most Trust funds are invested by or at the directive of the Authorized Party, we urge each Authorized Party to review immediately all relevant Agreements, all current Trust fund investments and all related investment directives (whether directed to the Trustees or to third parties) to determine the appropriate course of action in the event of downgrades of Fund Investments. Such actions may include appropriate modification of investment directives.

Please contact your Deutsche Bank service representative with any questions you may have regarding this Memorandum.

Thank you.

[1] As of the date of this writing, Moody's Investors Service has confirmed its AAa long-term rating of the U.S., FF&C Securities and Affected Securities, but has also assigned them a "negative ratings outlook." Fitch Ratings has announced that it will complete its ratings review of U.S. sovereign credit by the end of August, 2011.

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August 5, 2011

Research Update:

# United States of America Long-Term Rating Lowered To 'AA+' On Political Risks And Rising Debt Burden; Outlook Negative

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**Research Update:**

# United States of America Long-Term Rating Lowered To 'AA+' On Political Risks And Rising Debt Burden; Outlook Negative

## Overview

- We have lowered our long-term sovereign credit rating on the United States of America to 'AA+' from 'AAA' and affirmed the 'A-1+' short-term rating.
- We have also removed both the short- and long-term ratings from CreditWatch negative.
- The downgrade reflects our opinion that the fiscal consolidation plan that Congress and the Administration recently agreed to falls short of what, in our view, would be necessary to stabilize the government's medium-term debt dynamics.
- More broadly, the downgrade reflects our view that the effectiveness, stability, and predictability of American policymaking and political institutions have weakened at a time of ongoing fiscal and economic challenges to a degree more than we envisioned when we assigned a negative outlook to the rating on April 18, 2011.
- Since then, we have changed our view of the difficulties in bridging the gulf between the political parties over fiscal policy, which makes us pessimistic about the capacity of Congress and the Administration to be able to leverage their agreement this week into a broader fiscal consolidation plan that stabilizes the government's debt dynamics any time soon.
- The outlook on the long-term rating is negative. We could lower the long-term rating to 'AA' within the next two years if we see that less reduction in spending than agreed to, higher interest rates, or new fiscal pressures during the period result in a higher general government debt trajectory than we currently assume in our base case.

## Rating Action

On Aug. 5, 2011, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the United States of America to 'AA+' from 'AAA'. The outlook on the long-term rating is negative. At the same time, Standard & Poor's affirmed its 'A-1+' short-term rating on the U.S. In addition, Standard & Poor's removed both ratings from CreditWatch, where they were placed on July 14, 2011, with negative implications.

The transfer and convertibility (T&C) assessment of the U.S.--our assessment of the likelihood of official interference in the ability of U.S.-based public- and private-sector issuers to secure foreign exchange for debt service--remains 'AAA'.

## Rationale

We lowered our long-term rating on the U.S. because we believe that the prolonged controversy over raising the statutory debt ceiling and the related fiscal policy debate indicate that further near-term progress containing the growth in public spending, especially on entitlements, or on reaching an agreement on raising revenues is less likely than we previously assumed and will remain a contentious and fitful process. We also believe that the fiscal consolidation plan that Congress and the Administration agreed to this week falls short of the amount that we believe is necessary to stabilize the general government debt burden by the middle of the decade.

Our lowering of the rating was prompted by our view on the rising public debt burden and our perception of greater policymaking uncertainty, consistent with our criteria (see "Sovereign Government Rating Methodology and Assumptions ," June 30, 2011, especially Paragraphs 36-41). Nevertheless, we view the U.S. federal government's other economic, external, and monetary credit attributes, which form the basis for the sovereign rating, as broadly unchanged.

We have taken the ratings off CreditWatch because the Aug. 2 passage of the Budget Control Act Amendment of 2011 has removed any perceived immediate threat of payment default posed by delays to raising the government's debt ceiling. In addition, we believe that the act provides sufficient clarity to allow us to evaluate the likely course of U.S. fiscal policy for the next few years.

The political brinksmanship of recent months highlights what we see as America's governance and policymaking becoming less stable, less effective, and less predictable than what we previously believed. The statutory debt ceiling and the threat of default have become political bargaining chips in the debate over fiscal policy. Despite this year's wide-ranging debate, in our view, the differences between political parties have proven to be extraordinarily difficult to bridge, and, as we see it, the resulting agreement fell well short of the comprehensive fiscal consolidation program that some proponents had envisaged until quite recently. Republicans and Democrats have only been able to agree to relatively modest savings on discretionary spending while delegating to the Select Committee decisions on more comprehensive measures. It appears that for now, new revenues have dropped down on the menu of policy options. In addition, the plan envisions only minor policy changes on Medicare and little change in other entitlements, the containment of which we and most other independent observers regard as key to long-term fiscal sustainability.

Our opinion is that elected officials remain wary of tackling the structural issues required to effectively address the rising U.S. public debt burden in a manner consistent with a 'AAA' rating and with 'AAA' rated sovereign peers (see Sovereign Government Rating Methodology and Assumptions," June 30, 2011, especially Paragraphs 36-41). In our view, the difficulty in framing a consensus on fiscal policy weakens the government's ability to manage public finances and diverts attention from the debate over how to achieve more balanced and dynamic economic growth in an era of fiscal stringency and private-sector deleveraging (ibid). A new political consensus might (or might not) emerge after the 2012 elections, but we believe that by then, the government debt burden will likely be higher, the needed medium-term fiscal adjustment potentially greater, and the inflection point on the U.S. population's demographics and other age-related spending drivers closer at hand (see "Global Aging 2011: In The U.S., Going Gray Will Likely Cost Even More Green, Now," June 21, 2011).

Standard & Poor's takes no position on the mix of spending and revenue measures that Congress and the Administration might conclude is appropriate for putting the U.S.'s finances on a sustainable footing.

The act calls for as much as $2.4 trillion of reductions in expenditure growth over the 10 years through 2021. These cuts will be implemented in two steps: the $917 billion agreed to initially, followed by an additional $1.5 trillion that the newly formed Congressional Joint Select Committee on Deficit Reduction is supposed to recommend by November 2011. The act contains no measures to raise taxes or otherwise enhance revenues, though the committee could recommend them.

The act further provides that if Congress does not enact the committee's recommendations, cuts of $1.2 trillion will be implemented over the same time period. The reductions would mainly affect outlays for civilian discretionary spending, defense, and Medicare. We understand that this fall-back mechanism is designed to encourage Congress to embrace a more balanced mix of expenditure savings, as the committee might recommend.

We note that in a letter to Congress on Aug. 1, 2011, the Congressional Budget Office (CBO) estimated total budgetary savings under the act to be at least $2.1 trillion over the next 10 years relative to its baseline assumptions. In updating our own fiscal projections, with certain modifications outlined below, we have relied on the CBO's latest "Alternate Fiscal Scenario" of June 2011, updated to include the CBO assumptions contained in its Aug. 1 letter to Congress. In general, the CBO's "Alternate Fiscal Scenario" assumes a continuation of recent Congressional action overriding existing law.

We view the act's measures as a step toward fiscal consolidation. However, this is within the framework of a legislative mechanism that leaves open the details of what is finally agreed to until the end of 2011, and Congress and the Administration could modify any agreement in the future. Even assuming that at least $2.1 trillion of the spending reductions the act envisages are implemented, we maintain our view that the U.S. net general government debt burden (all levels of government combined, excluding liquid financial assets) will likely continue to grow. Under our revised base case fiscal scenario--which we consider to be consistent with a 'AA+' long-term rating and a negative outlook--we now project that net general government debt would rise from an estimated 74% of GDP by the end of 2011 to 79% in 2015 and 85% by 2021. Even the projected 2015 ratio of sovereign indebtedness is high in relation to those of peer credits and, as noted, would continue to rise under the act's revised policy settings.

Compared with previous projections, our revised base case scenario now assumes that the 2001 and 2003 tax cuts, due to expire by the end of 2012, remain in place. We have changed our assumption on this because the majority of Republicans in Congress continue to resist any measure that would raise revenues, a position we believe Congress reinforced by passing the act. Key macroeconomic assumptions in the base case scenario include trend real GDP growth of 3% and consumer price inflation near 2% annually over the decade.

Our revised upside scenario--which, other things being equal, we view as consistent with the outlook on the 'AA+' long-term rating being revised to stable--retains these same macroeconomic assumptions. In addition, it incorporates $950 billion of new revenues on the assumption that the 2001 and 2003 tax cuts for high earners lapse from 2013 onwards, as the Administration is advocating. In this scenario, we project that the net general government debt would rise from an estimated 74% of GDP by the end of 2011 to 77% in 2015 and to 78% by 2021.

Our revised downside scenario--which, other things being equal, we view as being consistent with a possible further downgrade to a 'AA' long-term rating--features less-favorable macroeconomic assumptions, as outlined below and also assumes that the second round of spending cuts (at least $1.2 trillion) that the act calls for does not occur. This scenario also assumes somewhat higher nominal interest rates for U.S. Treasuries. We still believe that the role of the U.S. dollar as the key reserve currency confers a government funding advantage, one that could change only slowly over time, and that Fed policy might lean toward continued loose monetary policy at a time of fiscal tightening. Nonetheless, it is possible that interest rates could rise if investors re-price relative risks. As a result, our alternate scenario factors in a 50 basis point (bp)-75 bp rise in 10-year bond yields relative to the base and upside cases from 2013 onwards. In this scenario, we project the net public debt burden would rise from 74% of GDP in 2011 to 90% in 2015 and to 101% by 2021.

Our revised scenarios also take into account the significant negative revisions to historical GDP data that the Bureau of Economic Analysis announced on July 29. From our perspective, the effect of these revisions underscores two related points when evaluating the likely debt trajectory of the U.S. government. First, the revisions show that the recent recession was deeper than previously assumed, so the GDP this year is lower than previously thought in both nominal and real terms. Consequently, the debt burden is slightly higher. Second, the revised data highlight the sub-par path of the current economic recovery when compared with rebounds following previous post-war recessions. We believe the sluggish pace of the current economic recovery could be consistent with the experiences of countries that have had financial crises in which the slow process of debt deleveraging in the private sector leads to a persistent drag on demand. As a result, our downside case scenario assumes relatively modest real trend GDP growth of 2.5% and inflation of near 1.5% annually going forward.

When comparing the U.S. to sovereigns with 'AAA' long-term ratings that we view as relevant peers--Canada, France, Germany, and the U.K.--we also observe, based on our base case scenarios for each, that the trajectory of the U.S.'s net public debt is diverging from the others. Including the U.S., we estimate that these five sovereigns will have net general government debt to GDP ratios this year ranging from 34% (Canada) to 80% (the U.K.), with the U.S. debt burden at 74%. By 2015, we project that their net public debt to GDP ratios will range between 30% (lowest, Canada) and 83% (highest, France), with the U.S. debt burden at 79%. However, in contrast with the U.S., we project that the net public debt burdens of these other sovereigns will begin to decline, either before or by 2015.

Standard & Poor's transfer T&C assessment of the U.S. remains 'AAA'. Our T&C assessment reflects our view of the likelihood of the sovereign restricting other public and private issuers' access to foreign exchange needed to meet debt service. Although in our view the credit standing of the U.S. government has deteriorated modestly, we see little indication that official interference of this kind is entering onto the policy agenda of either Congress or the Administration. Consequently, we continue to view this risk as being highly remote.

## Outlook

The outlook on the long-term rating is negative. As our downside alternate fiscal scenario illustrates, a higher public debt trajectory than we currently assume could lead us to lower the long-term rating again. On the other hand, as our upside scenario highlights, if the recommendations of the Congressional Joint Select Committee on Deficit Reduction--independently or coupled with other initiatives, such as the lapsing of the 2001 and 2003 tax cuts for high earners--lead to fiscal consolidation measures beyond the minimum mandated, and we believe they are likely to slow the deterioration of the government's debt dynamics, the long-term rating could stabilize at 'AA+'.

On Monday, we will issue separate releases concerning affected ratings in the funds, government-related entities, financial institutions, insurance, public finance, and structured finance sectors.

## Related Criteria And Research

- United States of America 'AAA/A-1+' Ratings Placed On CreditWatch Negative On Rising Risk Of Policy Stalemate, July 14, 2011
- U.S. Weekly Financial Notes: Soft Patch Or Quicksand?, Aug. 5, 2011
- Sovereign Government Rating Methodology And Assumptions, June 30, 2011
- 2011 Midyear Credit Outlook: Unresolved Economic And Regulatory Issues Loom Large, June 22, 2011
- Global Aging 2011: In The U.S., Going Gray Will Likely Cost Even More Green, Now, June 21, 2011
- United States of America 'AAA/A-1+' Rating Affirmed; Outlook Revised To Negative, April 18, 2011
- Fiscal Challenges Weighing On The 'AAA' Sovereign Credit Rating On The Government Of The United States, April 18, 2011
- A Closer Look At The Revision Of The Outlook On The U.S. Government Rating , April 18, 2011
- Banking Industry Country Risk Assessments, March 8, 2011
- Behind The Political Brinkmanship Of Raising The U.S. Debt Ceiling, Jan. 18, 2011
- U.S. Government Cost To Resolve And Relaunch Fannie Mae And Freddie Mac Could Approach $700 Billion, Nov. 4, 2010
- Global Aging 2010: In The U.S., Going Gray Will Cost A Lot More Green, Oct. 25, 2010,
- Après Le Déluge, The U.S. Dollar Remains The Key International Currency," March 10, 2010
- Banking Industry Country Risk Assessment: United States of America, Feb.

1, 2010

## Ratings List

Rating Lowered

| | To | From |
|---|---|---|
| United States of America (Unsolicited Ratings) | | |
| Federal Reserve System (Unsolicited Ratings) | | |
| Federal Reserve Bank of New York (Unsolicited Ratings) | | |
| Sovereign Credit Rating | AA+/Negative/A-1+ | AAA/Watch Neg/A-1+ |

This unsolicited rating(s) was initiated by Standard & Poor's. It may be based solely on publicly available information and may or may not involve the participation of the issuer. Standard & Poor's has used information from sources believed to be reliable based on standards established in our Credit Ratings Information and Data Policy but does not guarantee the accuracy, adequacy, or completeness of any information used.

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

**Illinois Finance Authority**
**FY10 Audit Finding: Material**
**Update as of July 31, 2011**

**Number of Material Findings - 8**

| Item Number | Description | Completed by | Comments | Percentage Completed |
|---|---|---|---|---|
| **Government Auditing Standards:** | | | | 10 20 30 40 50 60 70 80 90 100 |
| 10-1 | Noncompliance with the investment requirements of the Bond Indenture | 12/31/2010 | | |
| 10-2 | Noncompliance with the program loan agreement | 6/30/2011 | | |
| 10-3 | Inaccurate State Property records | 5/31/2011 | | |
| 10-4 | Administrative reports not filed timely | 3/31/2011 | | |
| 10-5 | Untimely signing of written contracts | 3/31/2011 | | |
| 10-6 | Delinquent reporting of bond activity | | | |
| 10-7 | Unsupported and incomplete travel expense reimbursements reports | ongoing | | |
| 10-8 | Failure to develop and maintain a list of manufacturing firms that are available for purchase, merger or acquisition in compliance with the state | | | |

**Illinois Finance Authority**
**FY10 Audit Finding: Immaterial**
**Update as of July 31, 2011**

| Item Number | Description | Percentage Completed<br>10 20 30 40 50 60 70 80 95 100 |
|---|---|---|
| Total Number of 2 | | |
| **FY 10 Immaterial Findings** | | |
| **IM10-01** | Inadequate policy over telephone and cellular phone usage | |
| **IM10-02** | Cost of Federal Audit Not Paid Out of Federal Funds | |

# *Bonds Issued and Outstanding*
# *as of July 31, 2011*

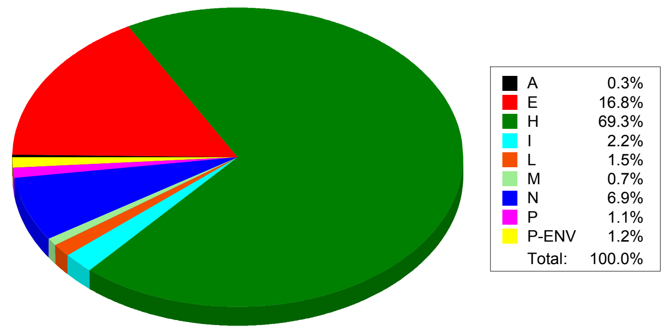
**Bonds Issued Since Inception of Illinois Finance Authority**

| # | Market Sector | Principal Amount ($) |
|---|---|---|
| 380 | Agriculture ** | 64,514,748 |
| 83 | Education | 4,027,548,100 |
| 168 | Healthcare * | 16,936,023,508 |
| 79 | Industrial | 931,142,853 |
| 25 | Local Government | 378,145,000 |
| 16 | Multifamily/Senior Housing | 175,417,900 |
| 108 | 501(c)(3) Not-for Profits | 1,692,433,195 |
| 8 | Exempt Facilities Bonds | 275,700,000 |
| 8 | Environmental issued under 20 ILCS 3515/9 | 326,630,000 |
| | | $ 24,807,555,304 |

* Includes CCRC's

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

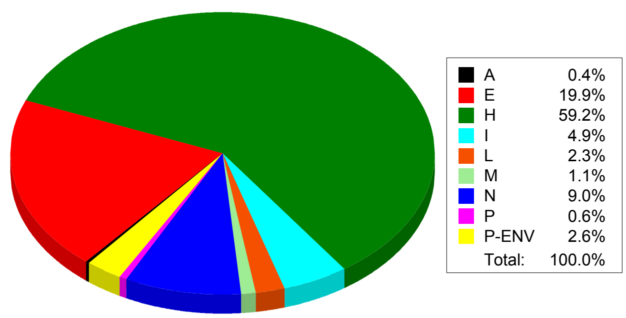
**Bonds Issued Since Inception**




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

| Market Sector | Amount of Original Issue | Principal Outstanding |
|---|---|---|
| Agriculture | 302,984,454 | 95,831,238 |
| Education | 5,625,425,730 | 5,121,868,909 |
| Healthcare * | 17,174,731,959 | 15,042,563,316 |
| Industrial | 1,497,661,939 | 1,288,160,385 |
| Local Government | 1,032,839,413 | 588,931,238 |
| Multifamily/Senior Housing | 726,835,396 | 290,228,291 |
| 501(c)(3) Not-for Profits | 2,789,964,996 | 2,282,011,729 |
| Exempt Facilities Bonds | 155,360,000 | 155,160,000 |
| Environmental issued under 20 ILCS 3515/9 | 756,325,000 | 672,000,626 |
| * Includes CCRC's | $ 30,062,128,886 | $ 25,536,755,732 |

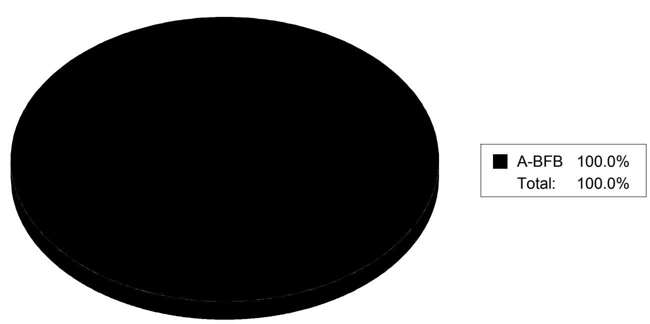
**Principal Outstanding by Market Sector**




**Current Fiscal Year**

| # | Market Sector | Principal Issued |
|---|---|---|
| 2 | Agriculture - Beginner Farmer | 728,799 |
| 2 | | $ 728,799 |

**Bonds Issued - Current Fiscal Year**



## Bonds Issued between July 01, 2011 and July 31, 2011

| Bond Issue | | Date Issued | Initial Interest Rate | Principal Issued | Bonds Refunded |
|---|---|---|---|---|---|
| A-BFB | Beginner Farmer Bonds, Series 2012A | 07/01/2011 | Various-See Below | 728,799 | 0 |
| | | **Total Bonds Issued in Fiscal Year 2011** | | **$ 728,799** | **$ 0** |

**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

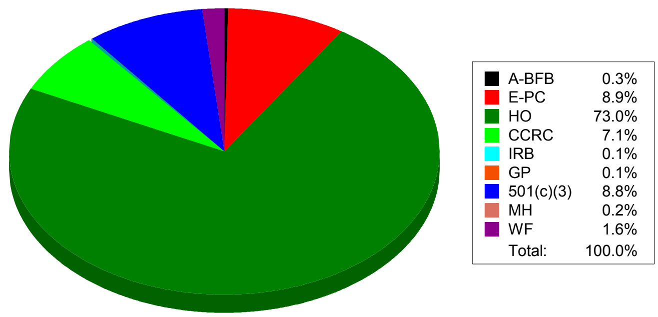
| Borrower | Date Funded | Initial Interest Rate | Loan Proceeds | Acres | County |
|---|---|---|---|---|---|
| Bennett, Quinn P. & Kristen N. | 07/15/2011 | 4.50% | 252,350 | 75.76 | Shelby |
| Neff, Jennifer | 07/15/2011 | 3.65% | 476,449 | 48.90 | Macoupin |
| | **Total Beginner Farmer Bonds Issued** | | **$ 728,799** | **124.66** | |

## Bonds Issued - Fiscal Year Comparison
## for the Period Ending July 31, 2011

### Fiscal Year 2010

| # | Market Sector | Principal Issued |
|---|---|---|
| 44 | Agriculture - Beginner Farmer | 8,545,250 |
| 8 | Education | 298,745,000 |
| 26 | Healthcare - Hospital | 2,458,700,628 |
| 4 | Healthcare - CCRC | 240,184,820 |
| 1 | Industrial Revenue | 2,700,000 |
| 1 | Local Government - Pool | 4,460,000 |
| 11 | 501(c)(3) Not-for-Profit | 296,142,520 |
| 1 | MultiFamily/Senior Housing | 5,700,000 |
| 2 | Water Facilities | 53,500,000 |
| 98 | | $ 3,368,678,218 |

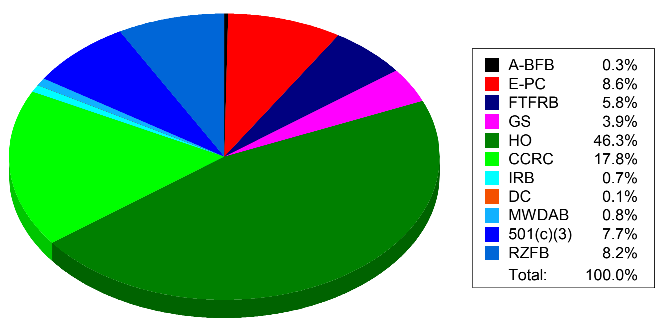
### Bonds Issued in Fiscal Year 2010




### Fiscal Year 2011

| # | Market Sector | Principal Issued |
|---|---|---|
| 40 | Agriculture - Beginner Farmer | 7,002,064 |
| 5 | Education | 221,290,000 |
| 1 | Freight Transfer Facilities Bonds | 150,000,000 |
| 2 | Gas Supply | 100,000,000 |
| 15 | Healthcare - Hospital | 1,195,055,000 |
| 5 | Healthcare - CCRC | 458,705,000 |
| 3 | Industrial Revenue | 17,329,184 |
| 1 | Financially Distressed Cities | 1,985,000 |
| 1 | Midwest Disaster Area Bonds | 20,200,000 |
| 4 | 501(c)(3) Not-for-Profit | 199,535,000 |
| 8 | Recovery Zone Facilities Bonds | 211,488,000 |
| 85 | | $ 2,582,589,248 |

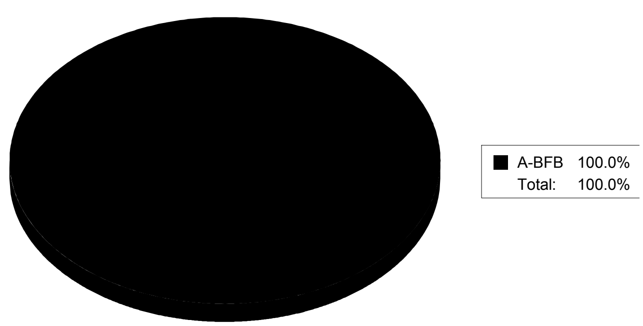
### Bonds Issued in Fiscal Year 2011




### Fiscal Year 2012

| # | Market Sector | Principal Issued |
|---|---|---|
| 2 | Agriculture - Beginner Farmer | 728,799 |
| 2 | | $ 728,799 |

### Bonds Issued in Fiscal Year 2012

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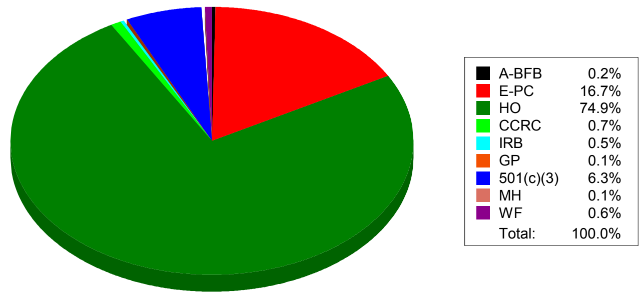
Illinois Finance Authority

# Bonds Issued - Calendar Year Comparison
## as of July 31, 2011

### Calendar Year 2009

| # | Market Sector | Principal Issued |
|---|---|---|
| 38 | Agriculture - Beginner Farmer | 7,315,408 |
| 9 | Education | 786,245,000 |
| 26 | Healthcare - Hospital | 3,526,456,927 |
| 2 | Healthcare - CCRC | 31,034,820 |
| 3 | Industrial Revenue | 24,000,000 |
| 1 | Local Government - Pool | 4,460,000 |
| 11 | 501(c)(3) Not-for-Profit | 295,436,458 |
| 1 | MultiFamily/Senior Housing | 5,700,000 |
| 1 | Water Facilities | 28,500,000 |
| 92 | | $ 4,709,148,613 |

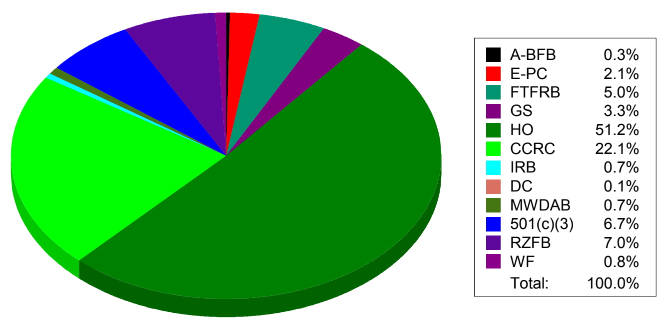
### Bonds Issued in Calendar Year 2009




### Calendar Year 2010

| # | Market Sector | Principal Issued |
|---|---|---|
| 52 | Agriculture - Beginner Farmer | 9,374,497 |
| 5 | Education | 64,000,000 |
| 1 | Freight Transfer Facilities Bonds | 150,000,000 |
| 2 | Gas Supply | 100,000,000 |
| 20 | Healthcare - Hospital | 1,545,643,433 |
| 7 | Healthcare - CCRC | 667,855,000 |
| 4 | Industrial Revenue | 20,029,184 |
| 1 | Financially Distressed Cities | 1,985,000 |
| 1 | Midwest Disaster Area Bonds | 20,200,000 |
| 8 | 501(c)(3) Not-for-Profit | 203,041,062 |
| 8 | Recovery Zone Facilities Bonds | 211,488,000 |
| 1 | Water Facilities | 25,000,000 |
| 110 | | $ 3,018,616,176 |

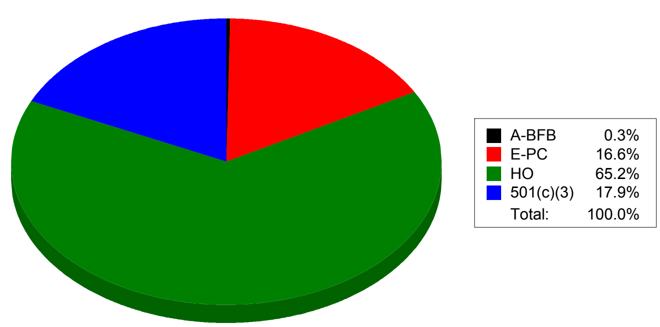
### Bonds Issued in Calendar Year 2010




### Calendar Year 2011

| # | Market Sector | Principal Issued |
|---|---|---|
| 16 | Agriculture - Beginner Farmer | 3,205,194 |
| 2 | Education | 177,390,000 |
| 6 | Healthcare - Hospital | 697,235,000 |
| 2 | 501(c)(3) Not-for-Profit | 191,835,000 |
| 26 | | $ 1,069,665,194 |

### Bonds Issued in Calendar Year 2011

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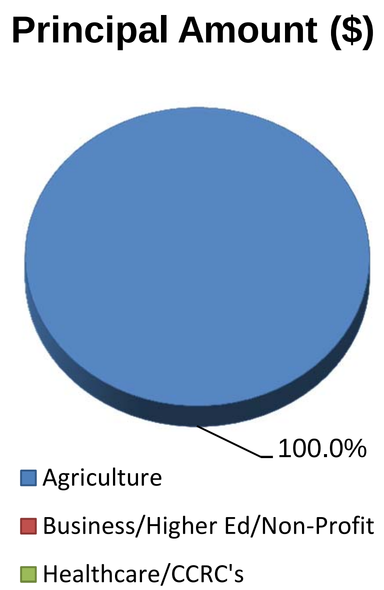
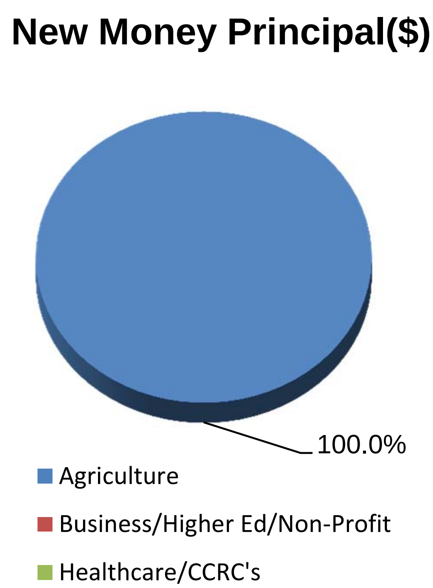
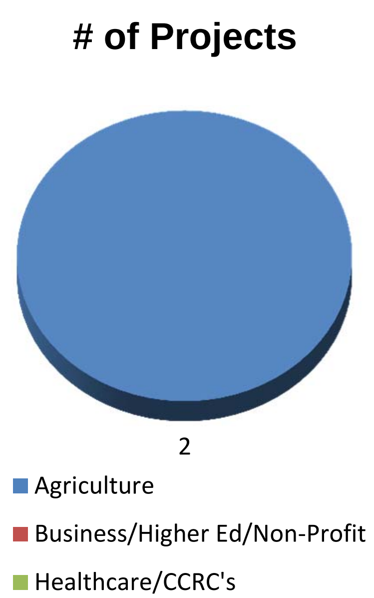
**Illinois Finance Authority**

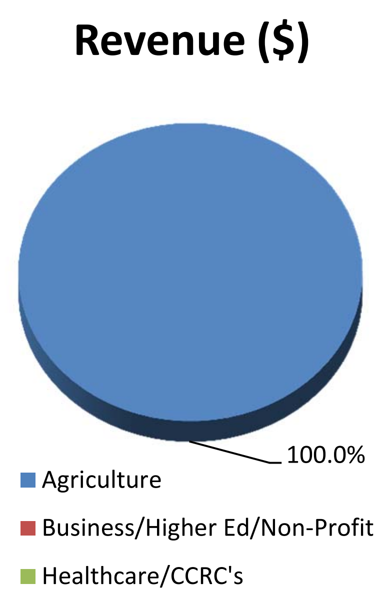
Fiscal Year 2012

| Market Sector | Principal Amount ($) | New Money ($) | # | Revenue ($) |
|---|---|---|---|---|
| Agriculture | $ 728,799.00 | $ 728,799.00 | 2 | $ 10,731.99 |
| Business/Higher Ed/Non-Profit | | | | |
| Healthcare/CCRC's | | | | |
| | $ 728,799.00 | $ 728,799.00 | 2 | $ 10,731.99 |



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**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, 2011 | Principal Outstanding July 31, 2011 | Program Limitations | Remaining Capacity |
|---|---|---|---|---|---|
| **Illinois Finance Authority "IFA" [b]** | | | | | |
| **320** | Agriculture | $ 53,079,000 | $ 53,777,000 | | |
| **90** | Education | 3,797,394,000 | 3,787,176,000 | | |
| **242** | Healthcare | 12,342,557,000 | 12,329,990,000 | | |
| **70** | Industrial Development [includes Recovery Zone/Midwest Disaster] | 824,952,000 | 811,308,000 | | |
| **22** | Local Government | 246,460,000 | 246,460,000 | | |
| **18** | Multifamily/Senior Housing | 160,222,000 | 160,156,000 | | |
| **92** | 501(c)(3) Not-for Profits | 1,269,225,000 | 1,248,760,000 | | |
| **5** | Exempt Facilities Bonds | 130,300,000 | 130,300,000 | | |
| **859** | **Total IFA Principal Outstanding** | **$ 18,824,189,000** | **$ 18,767,927,000** | | |
| **Illinois Development Finance Authority "IDFA" [b]** | | | | | |
| **3** | Education | 20,661,000 | 20,661,000 | | |
| **5** | Healthcare | 209,185,000 | 209,185,000 | | |
| **64** | Industrial Development | 477,669,000 | 476,852,000 | | |
| **32** | Local Government | 322,251,000 | 322,251,000 | | |
| **13** | Multifamily/Senior Housing | 130,521,000 | 130,072,000 | | |
| **95** | 501(c)(3) Not-for Profits | 961,395,000 | 958,707,000 | | |
| **1** | Exempt Facilities Bonds | 24,860,000 | 24,860,000 | | |
| **210** | **Total IDFA Principal Outstanding** | **$ 2,146,542,000** | **$ 2,142,588,000** | | |
| **Illinois Rural Bond Bank "IRBB" [b]** | | | | | |
| **17** | Bond Bank Revenue Bonds | 20,220,000 | 20,220,000 | | |
| **17** | **Total IRBB Principal Outstanding** | **$ 20,220,000** | **$ 20,220,000** | | |
| **93** | **Illinois Health Facilities Authority "IHFA"** | **$ 2,522,273,000** | **$ 2,503,388,000** | | |
| **48** | **Illinois Educational Facilities Authority "IEFA"** | **$ 1,401,337,000** | **$ 1,388,577,000** | | |
| **561** | **Illinois Farm Development Authority "IFDA" [f]** | **$ 42,055,000** | **$ 42,055,000** | | |
| **1,788** | **Total Illinois Finance Authority Debt** | **$ 24,956,616,000** | **$ 24,864,755,000** | **$ 28,150,000,000** | **$ 3,285,245,000** |

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

## Section I (b)

| | | Principal Outstanding June 30, 2011 | Principal Outstanding July 31, 2011 | 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 | $ 20,220,000 | $ 20,220,000 | | |
| **7** | Issued through IFA - Local Government Pools | 26,680,000 | 26,680,000 | | |
| **2** | Issued through IFA - Illinois Medical District Commission | 39,640,000 | 39,640,000 | | |
| **26** | **Total General Moral Obligations** | **$ 86,540,000** | **$ 86,540,000** | **$ 150,000,000** | **$ 63,460,000** |
| **Financially Distressed Cities Moral Obligations** | | | | | |
| Illinois Finance Authority Act [20 ILCS 3501/825-60] | | | | | |
| **2** | Issued through IFA | $ 3,825,000 | $ 3,825,000 | | |
| **1** | Issued through IDFA | 3,565,000 | 3,565,000 | | |
| **3** | **Total Financially Distressed Cities** | **$ 7,390,000** | **$ 7,390,000** | **$ 50,000,000** | **$ 42,610,000** |
| **State Component Unit Bonds [c]** | | | | | |
| **17** | Issued through IRBB | $ 20,220,000 | $ 20,220,000 | | |
| **2** | Issued through IDFA [j] | 82,090,000 | 82,090,000 | | |
| **2** | Issued through IFA [j] | 81,367,000 | 81,367,000 | | |
| **21** | **Total State Component Unit Bonds** | **$ 183,677,000** | **$ 183,677,000** | | |

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, 2011 | Principal Outstanding July 31, 2011 | Program Limitations | Remaining Capacity |
|---|---|---|---|---|---|
| **1** | **Midwest Disaster Bonds [Flood Relief]** | **$ 20,200,000** | **$ 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 July 31, 2011 | 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** | **$ 218,631,000** | **$ 73,769,000** |
| - | **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, 2011 | Principal Outstanding July 31, 2011 | 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, 2011 | Principal Outstanding July 31, 2011 | Program Limitations | Remaining Capacity |
|---|---|---|---|---|
| **Clean Coal, Coal ,Renewable Energy and Energy Efficiency Projects** | **$ -** | **$ -** | **$ 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, 2011 | Principal Outstanding July 31, 2011 | Program Limitations | Remaining Capacity | State Exposure |
|---|---|---|---|---|---|---|
| | **Agri Debt Guarantees [Restructuring Existing Debt]** | **$ 17,330,000** | **$ 17,159,000** | **$ 160,000,000** | **$ 142,841,000** | **$ 14,568,000** |
| **89** | **Fund # 994 - Fund Balance $ 9,989,678** | | | | | |
| | **AG Loan Guarantee Program** | **$ 41,519,000** | **$ 41,351,000** | **$ 225,000,000** [e] | **$ 183,649,000** | **$ 29,669,000** |
| **47** | **Fund # 205 - Fund Balance $ 7,714,923** | | | | | |
| **11** | Agri Industry Loan Guarantee Program | $ 9,753,000 | $ 9,753,000 | | | 8,290,000 |
| **1** | Renewable Fuels | 22,823,000 | 22,688,000 | | | 13,805,000 |
| **2** | Farm Purchase Guarantee Program | 975,000 | 975,000 | | | 829,000 |
| **22** | Specialized Livestock Guarantee Program | 5,552,000 | 5,523,000 | | | 4,695,000 |
| **11** | Young Farmer Loan Guarantee Program | 2,416,000 | 2,412,000 | | | 2,050,000 |
| **136** | **Total State Guarantees** | **$ 58,849,000** | **$ 58,510,000** | **$ 385,000,000** | **$ 326,490,000** | **$ 44,237,000** |

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

## Section V

| # | | | Principal Outstanding June 30, 2011 | Principal Outstanding July 31, 2011 | Appropriation Fiscal Year 2011 | Fund Balance |
|---|---|---|---|---|---|---|
| **116** | Fire Truck Revolving Loan Program | **Fund # 572** | **$ 2,723,118** | **$ 2,736,902** | **$ 6,003,342** | **$ 17,474,108** |
| **10** | Ambulance Revolving Loan Program | **Fund # 334** | **$ 590** | **$ 590** | **$ 7,006,800** | **$ 832,213** |

**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, 2011 | Principal Outstanding July 31, 2011 | Program Limitations | Remaining Capacity |
|---|---|---|---|---|---|
| | **Environmental [Large Business]** | | | | |
| **9** | Issued through IFA | 315,148,000 | $ 315,106,000 | | |
| **19** | Issued through IDFA | 356,895,000 | 356,895,000 | | |
| **28** | **Total Environmental [Large Business]** | **$ 672,043,000** | **$ 672,001,000** | **$ 2,425,000,000** | **$ 1,752,999,000** |
| | **Environmental [Small Business]** | - | $ - | **$ 75,000,000** | **$ 75,000,000** |
| **28** | **Total Environment Bonds Issued under Act** | **$ 672,043,000** | **$ 672,001,000** | **$ 2,500,000,000** | **$ 1,827,999,000** |

**Illinois Finance Authority Funds at Risk**

## Section VII

| # | | Original Amount | Principal Outstanding June 30, 2011 | Principal Outstanding July 31, 2011 |
|---|---|---|---|---|
| | **Participation Loans** | | | |
| **42** | Business & Industry | 23,020,157.95 | 12,718,990.12 | 11,976,227.36 |
| **13** | Agriculture | 6,079,859.01 | 3,308,196.84 | 2,413,225.85 |
| **55** | **Participation Loans exluding Defaults & Allowances** | **$ 29,100,016.96** | **$ 16,027,186.96** | **$ 14,389,453.21** |
| | **Plus: Legacy IDFA Loans in Default** | | **1,139,934.62** | **1,139,934.62** |
| | **Less: Allowance for Doubtful Accounts** | | **3,957,841.93** | **3,957,124.46** |
| | **Total Participation Loans** | | **$ 13,209,279.65** | **$ 11,572,263.37** |
| **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** | **$ 246,526.74** | **246,526.74** |
| **5** | **FmHA Loans** | **$ 963,250.00** | **$ 303,781.68** | **299,061.23** |
| **2** | **Renewable Energy [RED Fund]** | **$ 2,000,000.00** | **$ 1,668,554.37** | **1,668,554.37** |
| **67** | **Total Loans Outstanding** | **$ 34,353,016.96** | **$ 16,428,142.44** | **$ 14,786,405.71** |

[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.

[j] Includes EPA Clean Water Revolving Fund

**MINUTES OF THE JULY 19, 2011, MEETING OF THE COMMITTEE OF THE WHOLE OF THE BOARD OF DIRECTORS OF THE ILLINOIS FINANCE AUTHORITY**

The Board of Directors (the "Board") of the Illinois Finance Authority (the "IFA"), pursuant to notice duly given, held a Committee of the Whole Meeting ("COW") at 9:30 a.m. on July 19, 2011, at the Chicago Office of the IFA at 180 North Stetson Avenue, Suite 2555, Chicago, IL 60601.

| **Members Present**: | **Members Absent**: | **Staff Present**: |
| --- | --- | --- |
| 1. William A. Brandt, Jr., Chairman<br>2. Michael W. Goetz, Vice Chairman<br>3. Gila J. Bronner<br>4. John "Jack" Durburg<br>5. James J. Fuentes<br>6. Norman M. Gold<br>7. Edward H. Leonard, Sr.<br>8. Terrence M. O'Brien<br>9. Heather D. Parish<br>10. Roger E. Poole<br><br>**Via Telephone:**<br>None | 11. Dr. William J. Barclay<br>12. Hon. Barrett F. Pedersen<br>13. Bradley A. Zeller<br><br>**Vacancies**: Two | Christopher B. Meister, Executive Director<br>Brendan M. Cournane, General Counsel<br>Richard K. Frampton, Vice President<br>Pamela A. Lenane, Vice President<br>Art S. Friedson, Chief HR Officer<br>Ximena Granda, Asst. CFO<br>James P. Senica, Sr. Financial Analyst<br>Norma Sutton, Procurement Officer<br>Brad R. Fletcher, Legal/Financial Analyst<br>Nora O'Brien, Legal/Financial Analyst<br>Ahad F. Syed, Asst. Board Sect. /Admin. Asst.<br>Terrell Gholston, Intern<br>Vanessa Lin, Intern<br>Barton Rosser, Intern<br><br>**IFA Advisors Present**:<br>Courtney Shea, Sr. VP, Acacia Financial Group<br>Fiona McCarthy, Analyst, Acacia Financial Group<br>Shannon Williams, Associate, PFM Group<br><br>**Others:**<br>James W. Tarasuik, Jr., Prospective Borrower (via telephone) |

## GENERAL BUSINESS

*I.* *Call to Order and Roll Call*

Chairman Brandt called the meeting to order at 9:41 a.m. He welcomed Members of the Board, IFA staff, IFA financial advisors and others present at the meeting. The Chairman asked the Board Secretary, Mr. Cournane, to call the roll. There being eight Members physically present, a quorum was declared.

Mr. Gold and Ms. Parish arrived in person at the meeting at 9:43 a.m. Mr. Gold and Ms. Parish were added to the roll call by Mr. Cournane. The total number of Members physically present at 9:43 a.m. was ten.

*II.* *Chairman's Remarks*

The Chairman informed all present that the IFA had received notices of settlement agreements between various federal agencies and JPMorgan Securities (and related entities). These settlement agreements were due to improper activities by the JPMorgan Securities and related entities in derivatives transactions in connection with municipal bond financings. Settlement amounts to the IFA exceed $981,000, though the IFA may be entitled to less of the settlement payment if certain underlying borrowers are due a portion of the settlement. Payment of the settlement amounts are due by early September.

Chairman Brandt announced to the Committee of the Whole that Mr. Friedson, who is in attendance, has resigned from the IFA and that his resignation would be effective at the end of today's business day. The Chairman congratulated Mr. Friedson on his new position in the private sector. The Chairman thanked Mr. Friedson for his service to the IFA in the capacity of Chief Human Resources Officer and wished him well.

*III. Message from the Executive Director*

Director Meister thanked the Chairman and began his presentation.

In the interest of time and anticipated discussion on the Budget, the Director asked the Board to defer discussion of the Committee Reports and Senior Staff Reports, not necessarily in that order, until after the Project Reports and discuss any proposed revisions or corrections to the Minutes necessary before acceptance at the Board Meeting. The Director asked Members of the Board if they had any suggested changes to the Minutes. Hearing none, the Director moved on to his report.

Director Meister stated that the IFA Senior Staff has been working on a Strategic Planning Initiative for Fiscal Year 2012. Director Meister stated that he has been in contact with Members of the Illinois General Assembly, organizations that represent the interests of companies such as the IFA and borrowers, prior to developing this plan. There are a number of matters that have prompted the IFA to draft a strategic plan.

First, the current political climate in Washington, D.C. regarding the future of tax-exempt municipal bonds is becoming increasingly hostile. Some legislators in Washington are calling for the end of tax-exempt municipal bonds issued for non-governmental purposes. The Director stated that the IFA is engaging with national organizations representing issuers of tax-exempt municipal bonds to work with Congress to convey the importance and success of private tax-exempt bond financing in supporting the national economy.

Current circumstances and budget projections are similar to those of Fiscal Year 2008. The Director explained that Fiscal Year 2008 ended better than expected due to two favorable factors: (i) the deterioration of monoline bond insurance that caused borrowers to depart from the auction rate securities market by refunding outstanding bonds; and (ii) fundamental changes related to the issuance of Industrial Revenue Bonds. These fortuitous events positively impacted the IFA's financial picture and increased volume. In some respects calendar year 2010 (Fiscal Year 2011) mirrored Fiscal Year 2008 due to the Recovery Zone Economic Development Bonds and Recovery Zone Facility Bonds Programs which expired in December 2010. The IFA utilized these programs to improve our financial position.

Director Meister explained that in these situations the increase in volume drove up issuance fees temporarily and enhanced the IFA financial picture. The Director reminded the Board that 99% of the IFA's revenue is from the issuance of tax-exempt debt and if tax-exempt financing is drastically scaled back or eliminated there would be serious negative consequences for the IFA.

The Director explained that for that reason the IFA would like to diversify its business by investing in new products and new hires. The Director noted a fundamental distinction between the inherent risks of certain programs such as the Participation Loan program, where the IFA shoulders most of the risk, versus federally tax-exempt debt, where the burden of risk falls upon the borrower. The Director stated that IFA is prepared to address these potential external challenges and is carefully monitoring developments in Washington as well as researching alternatives.

The Director stated his desire to communicate closely with the Board regarding these challenges and to assess the competitive advantage and unique revenue challenges for a self-funded organization such as the IFA.

The Director asked for shortened presentations of the projects followed by Committee Reports to allow for a more lengthy discussion on the resolution for the FY '12 IFA Budget.

Lastly, the Director noted that he had included information in the handout folders to the Members regarding the Elgin-O'Hare West-Bypass project or "EOWB". Director Meister is the Co-Chairman of the EOWB Finance Committee.

The Chairman thanked Director Meister for his presentation and made brief comments about the future of ethanol financing as well as the current status of discussions regarding the development of the area surrounding Wrigley Field.

The Chairman then asked for the Project Reports.

*VI. Project Reports*

Mr. Senica presented the following projects for consideration:

*Agriculture - Beginning Farmer Bonds*

**Item No. 1A: Brent Zaagman - $239,828 – 90 acres**

Request for approval of the issuance of a Beginning Farmer Bond in an amount not-to-exceed $239,828 for the purchase of approximately 90 acres of farmland. This project is located in Hopkins Township, Whiteside County, IL.

**Item No. 1B: James W. Tarasuik, Jr. - $67,000 – 40 acres**

Request for approval of the issuance of a Beginning Farmer Bond in an amount not-to-exceed $67,000 for the purchase of approximately 40 acres of farmland. This project is located in Burgess Township, Bond County, IL.

**Item No. 1C: Doug E. & Lora M. Kocher - $80,000 – 38 acres including buildings**

Request for approval of the issuance of a Beginning Farmer Bond in an amount not-to-exceed $80,000 for the purchase of approximately 38 acres of farmland including buildings. This project is located in St. Marie Township, Jasper County, IL.

Mr. Leonard asked the Director a question regarding the current status of potential hires for agriculture lending.

Director Meister replied that there are two very capable candidates at the moment. The Director expressed his pleasure regarding the outstanding work done by Ms. Karcher and Mr. Senica in the agriculture sector. The Director stated that at the moment the IFA is planning on utilizing its resources most efficiently to meet its public mission and will make the hire in the context of the larger discussion regarding the budget of the Authority.

*Resolutions*

**Item No. 7: Resolution to Authorize a First Amendment to the Loan Agreement among the Illinois Finance Authority, Sunrise Ag Service Company, and Clayton Holdings LLC relating to IFA Series 2006 Industrial Revenue Bonds (Sunrise Ag Service Company Project)**

Authorizes certain changes to terms and provisions in the Loan Agreement.

Ms. Lenane presented the following projects for consideration:

*Healthcare – 501(c)(3) Revenue Bonds*

**Item No. 2:** **<u>Advocate Health Care Network - $533,000,000 – Final</u>**

**Advocate Health Care Network** ("**Advocate**") is requesting approval of a Final Bond Resolution in an amount not-to-exceed $533,000,000. Bond proceeds, together with other available monies of Advocate, will be used to (i) acquire, construct and equip several healthcare projects at various campuses, including a new ambulatory pavilion at Advocate Christ Medical Center in Oak Lawn, Illinois; (ii) restructure a portion of Advocate's outstanding debt issued for its facilities statewide, if deemed necessary or advisable; (iii) fund a debt service reserve fund, if deemed necessary or advisable; (iv) finance certain working capital expenditures, if deemed necessary or advisable; and (v) pay costs of issuance.

**Item No. 3:** **<u>CDH-Delnor Health System - $190,000,000 – Final</u>**

**CDH-Delnor Health System ("CDH-Delnor")** is requesting approval of a Final Bond Resolution in an amount not-to-exceed $190,000,000. Bond proceeds will be used to (i) refund CDH-Delnor's Series 2004A Bonds and Series 2008A Bonds; and (ii) pay costs of issuance.

Mr. Frampton presented the following projects for consideration:

*Higher Education, Cultural and Other Non-Healthcare 501(c)(3)'s Revenue Bonds*

**Item No. 4:** **<u>Lawndale Educational and Regional Network Charter School (LEARN Charter School Project) - $6,000,000 – Final</u>**

**Lawndale Educational and Regional Network Charter School (LEARN Charter School Project)** (or "**LEARN**") is requesting approval of a Final Bond Resolution in an amount not-to-exceed $6,000,000. Bond proceeds, together with other available monies of LEARN, will enable LEARN to (i) acquire, construct, renovate and equip a new school campus facility owned and operated by LEARN; (ii) refund certain outstanding Revenue Bonds in a current refunding; and (iii) pay costs of issuance.

*Resolutions*

**Item No. 5:** **<u>Resolution Authorizing the Execution and Delivery of a Bond and Loan Agreement and Related Documents in Connection Therewith; and related matters in connection with IFA Series 2004 Industrial Revenue Bonds (Transparent Container Co., Inc. Project)</u>**

Authorizes execution of a Bond and Loan Agreement to convert the Bonds from a Letter of Credit structure to a Direct Purchase structure.

Mr. Gold noted that the above transaction (Item No. 5) occurred in 2004 with Perkins Coie LLP as IDFA's (IFA's predecessor) Counsel. Consistent with IFA's policy, and for a more efficient transaction, Perkins Coie is again serving as IFA's Counsel in the amendatory transaction. Mr. Gold, who was not on the IFA Board at the time the original transaction occurred, is currently Senior Counsel at Perkins Coie LLP. Mr. Gold notified the Committee of the Whole regarding his intention to abstain from voting on Item No. 5 at the Board Meeting.

Mr. Frampton presented the following resolution for consideration:

**Item No. 6:** **<u>Resolution Approving the Transfer of Allocation for Bonding Authority of Midwestern Disaster Area Bonds by the Illinois Finance Authority to the Village of Gurnee, Lake County, Illinois, in an Aggregate Principal Amount not to exceed $11,000,000 and Related Matters</u>**

Authorizes the Transfer of Volume Cap of Midwestern Disaster Area Bonds in an amount not to exceed $11,000,000 and Bonding Authority from the Illinois Finance Authority to the Village of Gurnee, Illinois.

Chairman Brandt then asked for the Committee Reports beginning with the Agriculture Committee, followed by the Energy Committee and finally the Healthcare Committee.

*V.* *<u>Committee Reports</u>*

*Agriculture Committee*

Mr. Leonard, Chairman of the Agriculture Committee, deferred to Mr. Goetz. Mr. Goetz reported that the Agriculture Committee met for its regularly scheduled monthly meeting and approved recommendation of three Beginning Farmer Bond projects (Item Nos. 1A, 1B, and 1C) and one Amendatory Resolution (Item No. 7).

*Energy Committee*

Mr. Goetz, Chairman of the Energy Committee, reported that prior to the Energy Committee's special meeting, the Members of that Committee spoke to Energy Efficiency Providers. During the Energy Committee meeting the discussion centered on Qualified Energy Conservation Bonds and a recent report from the Brookings Institution. Mr. Goetz reported that following the adjournment of the Energy Committee, there was a discussion with representatives from Goldman Sachs.

Mr. Goetz also met with representatives from Aon and from Starr Insurance regarding the Energy Efficiency Program.

*Healthcare Committee*

Mr. Goetz reported that the Healthcare Committee met for its regularly scheduled monthly meeting and approved recommendation of two 501(c)(3) Revenue Bonds projects (Item Nos. 2 and 3) and one Amendatory Resolution (Item No. 7). The Healthcare Committee also received a short update on the Medicaid Vendor Payment Program.

Chairman Brandt thanked Mr. Goetz and asked for a presentation on the resolution to adopt the FY 2012 IFA budget.

Director Meister presented the following resolution for consideration:

*Resolutions*

**Item No. 8:** **<u>Resolution to Adopt FY 2012 Budget</u>**

Authorizes the Executive Director or his Designee(s) to Execute and Adopt the FY 2012 Budget as set forth in Exhibit A.

Chairman Brandt asked for the Senior Staff Reports and asked Ms. Granda to present the financials.

*IV.* *Senior Staff Reports*

Ms. Granda presented the following reports:

*Financial Report*

Ms. Granda explained that the gross revenues year-to-date through June 30, 2011, were $6.653 Million or $1.251 Million over budget. Total operating expenses were $5.007 Million or $164,596 under budget. Year-to-date net income thru June 30, 2011, was $2.821 Million or $2.591 Million higher than budget and $1.072 Million higher than the same period last fiscal year.

Ms. Granda also noted that the July Board Book includes consolidated financial statements, gross revenue year-to-date thru June 30, 2011 ended at $10.66 Million or $2.347 Million above the FY11 budget. Total operating expenses are $7.651 Million or $1.367 Million under budget.

*Audit Report*

Ms. Granda reported that the FY 2011 Audit is still in progress. The Auditor will return to the IFA in mid-August to finalize their fieldwork.

Chairman Brandt thanked Ms. Granda for her reports.

There was a short discussion regarding the FY 2012 Budget (Item No. 8). There were some concerns by the Chairman regarding the IFA's ability to stay within the budget with the expiration of the Recovery Zone Economic Development Bonds and Recovery Zone Facility Bonds under the provisions American Recovery and Reinvestment Act of 2009. The two programs expired at the end of calendar year 2010. The Chairman stated, however, that this was perhaps the best budget the IFA could have arrived at due to the uncertainty of the markets and fewer potential borrowers. Therefore, the Chairman stated that he sees no immediate reason why he would reject the budget in its current form.

*VII.* *Other Business*

*Discussion on the Fiscal Year 2012 Budget*

Director Meister agreed with Chairman Brandt's assessment of the bond market and noted that the Midwestern Disaster Area Bonds program, which expires at the end of calendar year 2012, has not yielded the potential revenue the IFA had expected when the program was first utilized by the Authority.

Ms. Bronner asked a question regarding the methodology used to arrive at the number given for Total Expenses and asked how the cost of auditing was factored into this total.

Director Meister explained that the budget calculation included the State mandate of obtaining an internal auditor. Director Meister elaborated that another factor was the increased staff participation in training and conferences. The IFA has placed Mr. Fletcher and Ms. O'Brien on a "training path" and is dedicated to investing in human capital as a means of better fulfilling its public mission. The IFA has also enhanced its leadership role: Mr. Frampton has been a very active and engaged member of the Council of Development Finance Authorities' Board of Directors; Ms. Lenane, who is also very involved in tax-exempt healthcare financing, will soon become President of the National Association of Healthcare and Educational Facilities Finance Authorities (or "NAHEFFA"). These developments are important given the current dialogue at the federal level regarding tax-exempt municipal debt and orient the IFA favorably to influence the discussion in a leadership role.

Ms. Bronner also noted that the total amount of "Depreciation" has increased and asked the Director if he could explain what material changes factored into the new budget calculation.

Director Meister explained that this was primarily due to the recent investment in IT and paper imaging in an effort to move to a paperless workplace. Both of these investments are expected to depreciate over the course of their lifetime.

Chairman Brandt asked the Board if there was a Member who would be a willing volunteer to work on the IFA Strategic Planning Initiative.

Ms. Parish volunteered to collaborate on the Strategic Planning Initiative.

Chairman Brandt thanked Ms. Parish for willingly volunteering for the position.

Mr. Leonard asked Director Meister for clarification on the goals and purpose of this Strategic Planning Initiative and how it would differ from the planning initiatives undertaken by the previous Director.

Director Meister explained that he, along with Senior Staff, would like to discuss the fundamental purpose and direction of the IFA. The Director stated that he believes the unprecedented challenges to tax-exempt issuance are the highest level since the Tax Reform Act of 1986. In light of these events at the state and national level the IFA should re-evaluate its fundamental role and be capable of understanding the changing landscape of tax-exempt municipal bonds. The Director stated that the IFA must be prepared to address these challenges while reaffirming its long-standing commitment to its public mission.

*VIII.* *Public Comment*

None.

*IX.* *Adjournment*

Chairman Brandt thanked the Board, IFA staff, IFA financial advisors and guests for appearing at the meeting and asked if there were any additional matters for the Board's consideration. Hearing none, he asked for a motion to adjourn the meeting. Mr. O'Brien so moved and Mr. Poole seconded the motion. The Committee of the Whole unanimously agreed to adjourn the meeting.

The meeting adjourned at 10:44 a.m.

Minutes submitted by:
Ahad Syed
Assistant Board Secretary