

October 12, 2010

TO: William A. Brandt, Jr., Chairman
Dr. William Barclay
Ronald E. DeNard
James J. Fuentes
Edward H. Leonard, Sr.
Terrence M. O'Brien
Norman M. Gold
Gila J. Bronner

Michael W. Goetz, Vice-Chairman
Heather D. Parish
John E. Durburg
Dr. Roger D. Herrin
Joseph McInerney
Roger E. Poole
Bradley A. Zeller

RE: Message from the Executive Director

Dear Members of the Authority:

This month, we welcome two new Board Members, Norman M. Gold and Gila J. Bronner, to the Illinois Finance Authority ("IFA"). We thank Juan Rivera for his service to the IFA and wish him well in his future endeavors.

1. Recovery Zone Financing – an expiring federal tool:

a. Navistar - a federal-state-county-city partnership to retain and create jobs

Last month, the IFA approved the innovative tax-exempt conduit financing of the Navistar Lisle headquarters project and Joliet warehouse facility through the federal Recovery Zone Facilities Revenue Bond ("RZFB") program. Without the RZFB program, Navistar would not ordinarily qualify for tax-exempt borrowing. Because RZFB authority was allocated by the federal government to 110 local government entities -- each of the 102 Illinois counties and the 8 Illinois cities with populations of over 100,000 -- IFA worked closely with Navistar and its consultant, Jones Lang LaSalle, to combine RZFB volume cap to support the Navistar borrowing. The IFA thanks Coles, DeKalb, Douglas, DuPage, Edgar, Henry, Kankakee, Lake, Macoupin, and Winnebago counties as well as the cities of Aurora, Elgin, Joliet, Naperville and Rockford for providing RZFB volume cap to the IFA to support the Navistar project.

On October 5, 2010, Cook County also approved RZFB tax-exempt conduit bonds to finance capital improvements at Navistar's manufacturing facility in Melrose Park. The complementary IFA and Cook County Navistar RZFB transactions, \$135 million and \$90 million, respectively, are expected to close in the coming weeks.

Along with the Illinois Department of Commerce & Economic Opportunity ("DCEO"), the IFA is proud to play an important role in the Quinn administration's efforts to keep Navistar jobs and investment in Illinois through the combined federal-state-county-city Recovery Zone Facilities Bond partnership. The Navistar project is truly a unique job retention and creation project of state-wide importance.

b. Recovery Zones: “Use it or lose it” prior to the December 31, 2010 Sunset Date

IFA has worked to encourage counties and cities across Illinois to fully utilize the financing incentives provided to both private and public borrowers by the federal Recovery Zone program before the program expires on December 31, 2010. If counties and cities cannot use their Recovery Zone allocations, IFA has asked them to waive their Recovery Zone volume cap to IFA. Under Public Act 96-1020 (HB 2369), IFA can aggregate Recovery Zone volume cap and redirect this resource to projects where this benefit can be fully utilized. Counties and cities need to understand that they are in a “use it or lose it” situation with respect to the federal Recovery Zone program. The IFA stands ready to help borrowers, counties and cities fully utilize the Recovery Zone program to retain and create jobs before the program expires.

The IFA expects significant interest in the Recovery Zone program in the coming weeks in advance of the December 31, 2010 sunset date. Accordingly, staff is proposing criteria for consideration by the Board with respect to the use of any unused or undesignated Recovery Zone Bond allocations to help expedite RZFB allocations to qualifying projects that are “financing-ready” as evidenced by either: (i) the borrower’s own underlying debt rating from Moody’s, S&P, or Fitch; or (ii) a countersigned bank financing commitment letter, among other criteria. *See* Agenda Item 16. IFA’s ability to provide allocations for these projects may, of course, be constrained by the extent that local allocations are waived back to the Authority well in advance of the Recovery Zone Program’s sunset date on December 31, 2010.

2. The Working Capital Guarantee: a new tool for Illinois farmers and Agri-business

In May 2010, the Working Capital Program was added to the menu of IFA guarantee programs for Illinois farmers and agri-businesses (SB 3719, Frerichs/Bradley; P.A. 96-897). Like the combined Recovery Zone reallocation initiative, the IFA Working Capital Program was included in Governor Quinn’s Illinois Jobs Action Plan, released in December 2009.

Under the Working Capital Guarantee program, an agricultural borrower may use loan proceeds for fertilizer, chemicals, feed, seed, fuel, parts, and repairs. The loan guarantee will generally be secured with a first lien on the proposed crop or commodity to be raised, and an assignment of federal crop insurance. The IFA now has the Working Capital Program fully in place well in advance of next year’s planting season.

3. Elgin-O’Hare West Bypass Advisory Council – IFA ready to assist

On October 5, 2010, Governor Quinn, through Executive Order No. 10-13, created the Elgin-O’Hare Bypass Advisory Council co-chaired by Kristi Lafleur, Executive Director of the Illinois Toll Highway Authority, and Gary Hannig, Secretary of the Illinois Department of Transportation. The purpose of the council is to explore potential financing structures and sources for the infrastructure project estimated to cost \$3.6 billion.

As IFA Executive Director, I am honored to be named to the Council. I look forward to working with other civic, labor, and governmental leaders on this important regional project.

**4. Embry-Riddle Aeronautical University (“ERAU”):
Chicago Rockford International Airport is a finalist for ERAU’s third campus**

Based on our long and broad experience in financing 501(c)(3) higher educational institutions as well as our new multi-state financing authority (HB 5854 (Colvin/Clayborne); P.A. 96-1021), IFA is pleased to assist U.S. Senator Durbin, Governor Quinn, U.S. Representative Manzullo, Rockford Mayor Morrissey, Winnebago County Board Chairman Christiansen, and Greater Rockford Airport Authority Chairman Boyer in the combined effort to bring ERAU to Illinois. See Agenda Item 17. ERAU currently has campuses in Florida and Arizona and is seriously considering the Chicago Rockford International Airport as the site of a third campus.

5. Healthcare: a cornerstone of IFA operations

The Healthcare Sector remains a cornerstone of the Authority’s operations and mission. This month, we are particularly pleased to see the return of the University of Chicago Medical Center (“UCMC”). UCMC is a longtime and valued IFA borrower. UCMC plans to use the proceeds of an IFA 501(c) (3) conduit revenue bond issue to construct a new Hospital Pavilion located at 5700 South Maryland in Chicago. Importantly, in these difficult economic times, the UCMC project will create an estimated 350 construction jobs.

We also welcome the opportunity to assist Swedish Covenant Hospital, a Chicago safety-net hospital, with financing the purchase of capital equipment and Beloit Health System, a Wisconsin-based healthcare provider with facilities in northern Illinois, with its refunding.

6. Energy Efficiency

Finally, and after great effort on the part of IFA Energy Committee Chair, Dr. Roger Herrin, the vendors for the IFA’s energy efficiency program will be announced at today’s meeting.

Conclusion

I look forward to working with all of you to retain and create jobs for our State.

Respectfully,

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

Illinois Finance Authority
FY09 Audit Finding: Material
Update as of September 30, 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 September 30, 2010**

Item Number	Description	Percentage Completed
		10 20 30 40 50 60 70 80 90 100
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 September 30, 2010

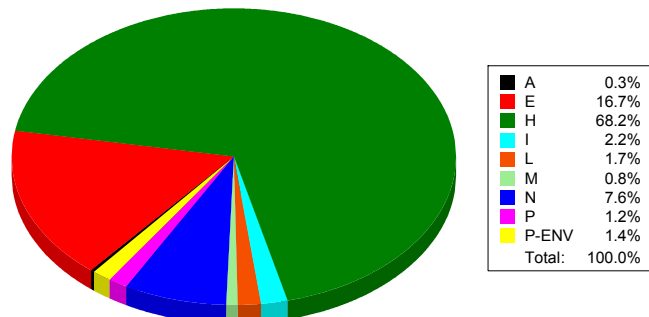
Bonds Issued Since Inception of Illinois Finance Authority

#	Market Sector	Principal Amount (\$)
305	Agriculture **	58,533,163
97	Education	3,806,258,100
310	Healthcare *	15,530,793,508
73	Industrial	495,940,669
26	Local Government	376,160,000
19	Multifamily/Senior Housing	175,417,900
129	501(c)(3) Not-for Profits	1,709,398,195
8	Exempt Facilities Bonds	275,700,000
9	Environmental issued under 20 ILCS 3515/9	326,630,000
		\$ 22,754,831,535

* Includes CCRC's

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

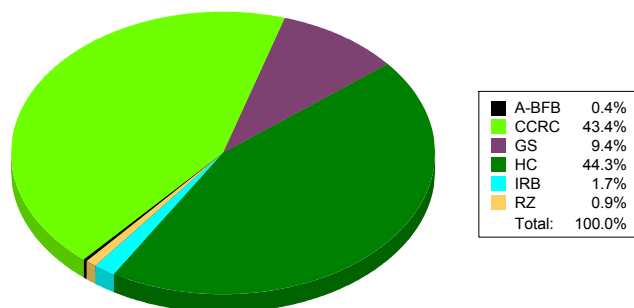
Bonds Issued Since Inception



Current Fiscal Year

#	Market Sector	Principal Issued
12	Agriculture - Beginner Farmer	1,948,951
1	Gas Supply	50,000,000
4	Healthcare	234,925,000
8	Healthcare - CCRC	230,105,000
1	Industrial Revenue	9,230,000
1	Recovery Zone	4,585,000
		\$ 530,793,951

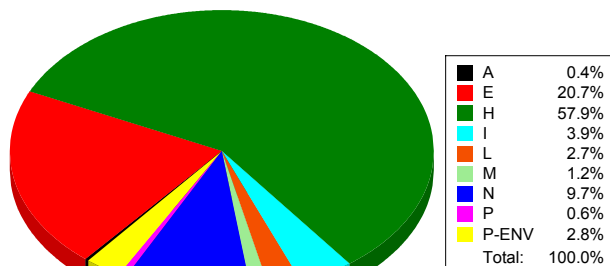
Bonds Issued - Current Fiscal Year



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

Market Sector	Amount of Original Issue	Principal Outstanding
Agriculture	297,002,869	90,364,395
Education	5,527,345,730	5,108,644,965
Healthcare	16,252,807,337	14,281,780,155
Industrial	1,161,570,669	965,113,481
Local Government	1,133,324,413	667,724,169
Multifamily/Senior Housing	742,915,396	304,263,834
501(c)(3) Not-for Profits	2,872,924,996	2,390,531,976
Exempt Facilities Bonds	155,360,000	155,360,000
Environmental issued under 20 ILCS 3515/9	770,475,000	688,369,432
		\$ 24,652,152,408
		\$ 28,913,726,410

Principal Outstanding by Market Sector



* Includes CCRC's

Bonds Issued between July 01, 2010 and September 30, 2010

<u>Bond Issue</u>	<u>Date Issued</u>	<u>Initial Interest Rate</u>	<u>Principal Issued</u>	<u>Bonds Refunded</u>
A-BFB Beginner Farmer Bonds, Series 2011	07/01/2010	Various-See Below	1,948,951	0
HC 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
HC 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
RZ 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
HC Provena Health, Series 2010C&D	09/22/2010	VRB 0.29%	72,000,000	0
Total Bonds Issued in Fiscal Year 2011			\$ 530,793,951	\$ 220,580,000

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

<u>Borrower</u>	<u>Date Funded</u>	<u>Initial Interest Rate</u>	<u>Loan Proceeds</u>	<u>Acres</u>	<u>County</u>
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
Smithenry, Eric J.	07/30/2010	4.25%	135,000	20.00	Jasper
Will, Richard & Linda	07/30/2010	4.00%	206,712	71.30	Cumberland
Justison, David M.	07/30/2010	4.25%	249,736	106.00	Montgomery
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
Gittleson, Brock	09/21/2010	4.46%	207,500	50.00	Lee
Mellendorf, Mark	09/21/2010	4.25%	25,200	20.00	Clay
Total Beginner Farmer Bonds Issued			\$ 1,948,951	673.40	

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		Program Limitations	Remaining Capacity
		June 30, 2010	September 30, 2010		
Illinois Finance Authority "IFA"					
289	Agriculture	\$ 46,455,000	\$ 48,310,000		
88	Education	3,721,552,000	3,710,269,000		
220	Healthcare	10,851,968,000	11,256,366,000		
63	Industrial Development	345,870,000	405,459,000		
21	Local Government	264,060,000	259,590,000		
18	Multifamily/Senior Housing	157,979,000	157,704,000		
95	501(c)(3) Not-for Profits	1,313,239,000	1,301,091,000		
5	Exempt Facilities Bonds	130,500,000	130,500,000		
799	Total IFA Principal Outstanding	\$ 16,831,623,000	\$ 17,269,289,000		
Illinois Development Finance Authority "IDFA" ^[b]					
4	Education	42,196,000	41,506,000		
6	Healthcare	404,660,000	288,860,000		
74	Industrial Development	562,917,000	559,654,000		
35	Local Government	386,034,000	380,029,000		
16	Multifamily/Senior Housing	147,219,000	146,560,000		
103	501(c)(3) Not-for Profits	1,025,002,000	1,014,896,000		
1	Exempt Facilities Bonds	24,860,000	24,860,000		
235	Total IDFA Principal Outstanding	\$ 2,592,888,000	\$ 2,456,365,000		
Illinois Rural Bond Bank "IRBB" ^[b]					
18	Bond Bank Revenue Bonds	26,385,000	25,715,000		
1	Conduit Debt	2,390,000	2,390,000		
19	Total IRBB Principal Outstanding	\$ 28,775,000	\$ 28,105,000		
106	Illinois Health Facilities Authority "IHFA"	\$ 2,908,471,000	\$ 2,736,554,000		
49	Illinois Educational Facilities Authority "IEFA"	\$ 1,446,134,000	\$ 1,431,417,000		
561	Illinois Farm Development Authority "IFDA" ^[f]	\$ 42,055,000	\$ 42,055,000		
1,769	Total Illinois Finance Authority Debt	\$ 23,849,946,000	\$ 23,963,785,000	\$ 28,150,000,000	\$ 4,186,215,000

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

Section I (b)		Principal Outstanding		Program Limitations	Remaining Capacity
		June 30, 2010	September 30, 2010		
General Purpose Moral Obligations					
Illinois Finance Authority Act [20 ILCS 3501/801-40(w)]					
18	Issued through IRBB	\$ 26,385,000	\$ 25,715,000		
9	Issued through IFA	68,000,000	67,640,000		
27	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]					
1	Issued through IFA	\$ 2,395,000	\$ 2,395,000		
1	Issued through IDFA	4,660,000	4,660,000		
2	Total Financially Distressed Cities	\$ 7,055,000	\$ 7,055,000	\$ 50,000,000	\$ 42,945,000
State Component Unit Bonds ^[c]					
18	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		
20	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 Bonds in Illinois, February 11, 2010.

Section I (c)		Principal Outstanding		Program Limitations	Remaining Capacity
		June 30, 2010	September 30, 2010		
Midwest Disaster Bonds [Flood Relief]		\$ -	\$ -	\$ 1,515,271,000	\$ 1,515,271,000

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

Section II		Principal Outstanding		Program Limitations	Remaining Capacity
		June 30, 2010	September 30, 2010		
Illinois Power Agency		\$ -	\$ -	\$ 4,000,000,000	\$ 4,000,000,000

ILLINOIS FINANCE AUTHORITY
Schedule of Debt ^[a]

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

Section III	Energy	Principal Outstanding		Program Limitations	Remaining Capacity
		June 30, 2010	September 30, 2010		
Clean Coal, Coal ,Renewable Energy and 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		Program Limitations	Remaining Capacity	State Exposure
		June 30, 2010	September 30, 2010			
Agri Debt Guarantees [Restructuring Existing Debt]		\$ 20,300,000	\$ 19,397,000	\$ 160,000,000	\$ 140,603,000	\$ 16,448,000
99	Fund # 994 - Fund Balance \$ 9,940,751					
AG Loan Guarantee Program		\$ 47,229,000	\$ 45,925,000	\$ 225,000,000 ^[e]	\$ 179,075,000	\$ 33,231,000
57	Fund # 205 - Fund Balance \$ 7,651,586					
12	Agri Industry Loan Guarantee Program	\$ 11,104,000	\$ 10,853,000			9,225,000
1	Renewable Fuels	24,445,000	24,039,000			14,628,000
1	Farm Purchase Guarantee Program	491,000	491,000			417,000
31	Specialized Livestock Guarantee Program	8,625,000	7,980,000			6,783,000
12	Young Farmer Loan Guarantee Program	2,564,000	2,562,000			2,178,000
156	Total State Guarantees	\$ 67,529,000	\$ 65,322,000	\$ 385,000,000	\$ 319,678,000	\$ 49,679,000

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

Section V		Fund #	Principal Outstanding		Appropriation Fiscal Year 2011	Fund Balance
			June 30, 2010	September 30, 2010		
116	Fire Truck Revolving Loan Program	572	\$ 18,730,135	\$ 18,267,944	\$ 6,003,342	\$ 1,706,175
10	Ambulance Revolving Loan Program	334	\$ 993,200	\$ 963,880	\$ 7,006,800	\$ 3,165,223

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		Program Limitations	Remaining Capacity
		June 30, 2010	September 30, 2010		
Environmental [Large Business]					
9	Issued through IFA	316,440,000	\$ 316,319,000		
21	Issued through IDFA	372,065,000	372,050,000		
30	Total Environmental [Large Business]	\$ 688,505,000	\$ 688,369,000	\$ 2,425,000,000	\$ 1,736,631,000
Environmental [Small Business]					
30	Total Environment Bonds Issued under Act	\$ 688,505,000	\$ 688,369,000	\$ 2,500,000,000	\$ 1,811,631,000

Illinois Finance Authority Funds at Risk

Section VII	#	Original Amount	Principal Outstanding	
			June 30, 2010	September 30, 2010
	Participation Loans			
61	Business & Industry	23,020,157.95	17,018,322.85	19,122,423.63
25	Agriculture	6,079,859.01	4,969,295.79	1,841,021.38
86	Total Participation Loans	\$ 29,100,016.96	\$ 21,987,618.64	\$ 20,963,445.01
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	\$ 309,303.50
6	FmHA Loans	\$ 963,250.00	\$ 580,213.44	\$ 419,350.15
2	Renewable Energy [RED Fund]	\$ 2,000,000.00	\$ 1,819,903.95	\$ 1,734,106.04
99	Total Loans Outstanding	\$ 34,353,016.96	\$ 27,168,891.01	\$ 24,426,204.70

[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.

MEMORANDUM

To: Illinois Finance Authority (“IFA”) Board of Directors
Date: October 12, 2010
From: Jim Senica, Senior Funding Manager
Re: Participation Loan Update:

1. Loan # B-LL-TX-6224

Precision Laser Mfg, Inc. (“Borrower”)/Morton Community Bank (“Bank”)
Original Loan Amount: \$300,000/Outstanding Amount: \$242,600
East Peoria/Tazewell County

2. Loan # B-LL-TX-573

Fowler Properties, LLC (Borrower”)/First Security Bank of Mackinaw (“Bank”)
Original Loan Amount: \$300,000/Outstanding Amount: \$237,460
Eureka/Woodford County

3. Loan # B-LL-TX-6060

Transfer Company, Inc. (“Borrower”)/US Bank, NA (“Bank”)
Original Loan Amount: \$81,530/Outstanding Amount: \$57,979
Jacksonville/Morgan County

4. Loan # 9782PL

Michael L. Wilson, Sr. (“Borrower”)/Associated Bank (“Bank”)
Original Loan Amount: \$300,000/Outstanding Amount: \$206,699
Brimfield/Peoria County

1. Precision Laser Manufacturing - Troubled Loan

The Borrower is a four-time user of the IFA/Illinois Development Finance Authority (“IDFA”, a predecessor to IFA) Participation Loan Program. The three prior loans were paid on time, in-full when due. The current loan was closed on October 23, 2007, and all payments were made on time until April 2009, when a major customer of the Borrower, Caterpillar, Inc., substantially reduced orders causing a major decrease in the Borrower’s cash flow. To assist the Borrower, IFA and the Bank approved a 7-month moratorium on principal payments for the period May, 2009 through December, 2009.

When the moratorium ended, IFA staff worked diligently with the Bank monitoring the Borrower’s business operations and loan activity. As of September 24, the Bank advised IFA staff that loan payment would be made by the Borrower avoiding overdue status in excess of 90 days. When MABSCO’s Participation Loan report was received on October 4, 2010, it revealed that Borrower had in fact not made payment and loan became over 90 days past due. Since that time, IFA staff has actively engaged with both the Bank and borrower to reach a favorable resolution for the IFA.

This project has consistently appeared on the IFA loan watch list.

2. Fowler Properties, LLC - Troubled Loan

The Borrower's loan closed on November 7, 2005.

All payments were made on time until May, 2010. The Borrower was the owner of the real estate in which Custom Wood Products operated as a manufacturer of high-end cabinetry. Custom Wood Products ceased operation in June, 2010, after the collapse of the Florida and southwestern states home building markets curtailed demand for its products.

IFA staff has worked diligently with the Bank to develop alternative uses for the Borrower's real estate while awaiting sale. The Bank has advised IFA staff that it is likely that a good portion of the Bank/IFA loan should be recovered when the real estate is sold.

This project has consistently appeared on the IFA loan watch list.

3. Transfer Company, Inc. - Loan to be paid off

The Borrower's loan was closed on October 26, 2005.

The Borrower used IFA loan proceeds to purchase an historic building in Jacksonville for use as a retail operation. All loan payments were made on time with the loan maturing on October 5, 2010. The Bank advised IFA staff that the building has been sold, and IFA's outstanding loan balance will be paid in full in mid-October.

4. Michael L. Wilson, Sr. - Unanticipated Recovery

The Borrower's loan was approved by the IDFA (a predecessor to IFA) Board on June 20, 2002.

The Borrower was the owner of Wilson Manufacturing, Inc., became ill, could no longer operate the business and ceased operation in June 2006. The Borrower maintained payment until default in August, 2006. The Loan was subsequently written-off by IFA as uncollectible.

IFA received \$63,111 in October, 2010, representing IFA's portion of proceeds from sale of assets.

Illinois Finance Authority – Conduit Bond Issue Watch List

Bond Issue	Series	Authority	Initial Principal	Maturity Date	Continuing Disclosure
Regency Park at Lincolnwood CUSIP # 451913AB3	1990A	IDFA	2,000,000	04/15/2022	NA
Community Rehabilitation Providers CUSIP # 451908R41	1995A	IDFA	6,135,000	07/01/2020	Court reduced the interest rate on one participant; funds received are insufficient to pay principal and interest as due.
Villa St. Benedict Project CUSIP # 45200PZK6-PZS9	2003A-1	IHFA	37,975,000	11/15/2033	Principal forbearance Agreement finalized; partial interest payment to bondholders on 09/29/2010; principal payment due 11/15/2010 unlikely.
International Ice Centre, LLC CUSIP # 45202UAA2; AB0; AC8; AD6 and AE4	2005A 2005B 2006	IFA	16,255,000 1,000,000 900,000	12/01/2035 12/01/2012 12/01/2026	Event of Default; Debt Service Reserve used to pay June/December 2008 Debt Service Payments; No payments in December 2009/June 2010. Trustee in consultation with majority Bondholder re: continued discussions with the Borrower regarding plan to cure Events of Default and shortfall in Debt Service Reserve Fund.
Sedgebrook, Inc. "Erickson Retirement Communities" CUSIP # 45200B7B8 and B7P7	2007A 2007B	IFA	98,145,000 39,000,000	11/15/2042 11/01/2042	Non-execution of forbearance filing July 2010 Notice of bankruptcy filing
Clare Oaks CUSIP # 45200BZK7 – BZN1	2006	IFA	94,725,000 38,090,000 2,000,000 4,000,000 18,000,000	11/15/2039	Consultants report dated August 31, 2009 07/31/2010 non-compliance of Occupancy and Cumulative Cash Operating Loss Covenants.
Monarch Landing CUSIP #45200FCQ0-FCV9	2007A	IFA	128,745,000	12/01/2042	February 2010 Amended Forbearance Agreement; June 2010 Chapter 11 Filing Notice of bankruptcy filing
MJH Education Assistance Illinois IV CUSIP #'s 45202QAA1; AM5; AQ6	2004A 2004B 2004C	IFA	57,425,000 14,805,000 13,800,000	06/01/2035 06/01/2035 06/01/2035	Lead Bondholder took over management of the property in Fall 2007. Non-payment Default; last principal or interest payment on 06/01/2008; partial interest payment made on 10/23/2009. September Bondholder Call discussed leasing status for upcoming semester and payment [on 09/16/2010] of unpaid interest originally due on 12/01/2009 plus default interest.
Leafs Hockey Club CUSIP # 45202UAF1-UAH7	2007A 2007B	IFA	18,880,000 1,120,000	03/01/2037 03/01/2014	March/September 2010 partial interest payments
United Sports Organization of Barrington 45202UAK0 – UAN4	2007A-1 2007A-2 2007B	IFA	23,430,000 2,070,000 3,000,000	10/01/2037 10/01/2017 10/01/2017	Unscheduled draw on the debt service reserve fund; Event of Default Mechanics' and materialmen's liens for non payment.
Midwest Regional Medical Center	2006		45,000,000	10/01/2046	June 2010 Financial Statements; non-compliance in Current Ratio [1.05 s/b 1.25]; Days Cash on Hand [37.36 s/b 90.00] and Debt Service Coverage [0.60 s/b 1.20].
First Friends Day Care Center	2002	IDFA	647,630	12/25/2017	Ceased Operation on July 30 th due to inability to resolve IRS tax issue as well as funding shortfalls due to the State of Illinois' failure to reimburse Day Care Center for what was owed.

Illinois Finance Authority
 Participation Loans and Agriculture Guaranteed Loan
 Internal Loan Portfolio Watch List
 September 30, 2010

Participation Loans Under Watch						
IFA Loan Number	Bank/Lender	Orig Loan Amount	Outstanding Balance	Maturity Date	Days Delinquent	
Delinquent Loan(s)						
Business						
B-LL-TX-6224	MORTON COMMUNITY BANK	300,000	242,600	10/23/2014	30+	
B-LL-TX-668	SHOREBANK	1,000,000	959,629	04/01/2017	30+	
B-LL-TX-573	FIRST SECURITY BANK OF MACKINAW	300,000	237,460	11/07/2025	30+	
		<u>1,600,000</u>	<u>1,439,689</u>			
** FmHA						
		<u>1,600,000</u>	<u>1,439,689</u>			
Total Delinquent Loans						

Guaranteed Loans Under Watch						
IFA Loan Number	Bank Name	Orig. Loan Amount	Outstanding Balance	Maturity Date	Guarantee Balance at 85%	
2007-SL-0101	COMMUNITY STATE BANK OF ROCK FALLS	292,000	136,022	05/18/17	115,618	
2005-DR-0601	CASTLE BANK - SANDWICH	400,000	329,717	07/25/20	280,259	
2004-AI-0078	FLANAGAN STATE BANK - EL PASO	285,000	285,000	08/24/20	242,250	
2008-DR-0801	LITCHFIELD NATIONAL BANK	500,000	484,767	09/15/23	412,052	
		<u>1,477,000</u>	<u>1,235,506</u>		<u>1,050,179</u>	
Total Guaranteed Loans Under Watch						

**Loan Noted in August 2010 report came current