

Illinois Finance Authority

Tuesday, August 10, 2004

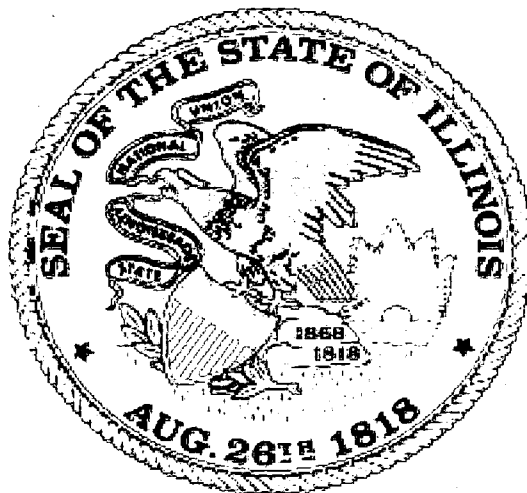
1:30 p.m.

Board Meeting

Sears Tower Conference Center

233 S. Wacker, Suite 3350

Chicago, Illinois



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**ILLINOIS FINANCE AUTHORITY
BOARD MEETING**

August 10, 2004
Chicago, Illinois

Executive Committee
IFA Office, Sears Tower, Suite 4000 – 40th Floor
8:30 a.m.

- Opening Remarks – Chairman Gustman
- Director's Report – Ali D. Ata
- Reports
 - Administrative - Mike Pisarcik
 - Organization
 - Audit Committee
 - Legal Matters/Legislation – Anthony D'Amato
 - Ethics Training
 - Legislation
 - Policies
 - D&O Insurance
 - Marketing – Diane Hamburger
 - Opportunity Home Mortgage Program
 - Marketing Material
 - Participation Loan Program – Jim Senica
 - Project Presentations – Marketers

Board Meeting
Sears Tower Conference Center
233 S. Wacker Drive, 33rd Floor
2:00 P.M.

- Call to Order – Chairman Gustman
- Roll Call
- Chairman's Report
- A. Director's Report
 - Consent Agenda for Financing Projects
 - Other Business
- 1. July 2004 Preliminary Financial Statements
- 2. Acceptance of July 2004 Minutes

Initial Project Considerations

<u>Number</u>	<u>Project</u>	<u>Location</u>	<u>Amount</u>	<u>New Jobs</u>	<u>Const Jobs</u>	<u>Mkter</u>	
3.	H-NH-RE-TE-CD-414	Rest Haven Christian Services	Multiple	\$50,000,000	N/A	N/A	PL
4.	H-HO-TE-CD-416	Roseland Community Hospital Association	Chicago	\$11,500,000	8	45	PL
5.	P-PO-TE-CD-406	Ameren Corporation					RF
	a.	Central Illinois Public Service Company (d/b/a AmerenCIPS)	Coffeen & Newton	\$35,000,000	N/A	N/A	
	b.	Central Illinois Light Company (d/b/a AmerenCILCO)	Unincorporated Fulton County	\$19,200,000	N/A	N/A	
6.	L-GO-TE-RE-401	Village of Romeoville	Romeoville	\$28,500,000	N/A	50	TA
7.	L-GR-TE-CD-407	City of Harvey	Harvey	\$650,000	N/A	5	SCM
8.	N-NP-TE-CD-413	Merit School of Music	Chicago	\$4,000,000	13	15	ST
9.	A-FB-TE-CD-434	Clayton D. and Ashlyn L. Becker	DeKalb	\$131,040	N/A	N/A	KK
	A-FB-TE-CD-435	James Lee and Bonnie May Brewer	Bethany	\$110,000	N/A	N/A	KK
	A-FB-TE-CD-436	Jason D. Organ	McLeansboro	\$250,000	N/A	N/A	KK
	A-FB-TE-CD-437	Jordan Walter	Forrest	\$250,000	N/A	N/A	KK
	A-FB-TE-CD-438	Jared Walter	Forrest	\$250,000	N/A	N/A	KK

Final Project Considerations

<u>Number</u>	<u>Project</u>	<u>Location</u>	<u>Amount</u>	<u>New Jobs</u>	<u>Const Jobs</u>	<u>Mkter</u>	
10.	E-PC-TE-CD-408	Northwestern University	Evanston & Chicago	\$135,000,000	150	250	TA
11.	I-ID-TE-CD-401	CFC International, Inc.	Chicago Heights	\$2,000,000	30	N/A	SCM
12.	B-LL-NP-TX-412	Freeport Area Economic Development Foundation, Inc. (Freeport/Stephenson County Visitors Center Project)	Freeport	\$250,000	1	15	RF
13.	V-TD-406	ZelleRx Corporation	Chicago	\$300,000	14	N/A	CV
14.	A-FB-TE-CD-432	Jay A. Todd and Christina Diane Todd	Thompsonville	\$125,000	N/A	N/A	KK

Project Revisions/Amendatory Resolutions

15. Resolutions

- Policies
- Assistant Secretary
- Pooled Debt

16. Amendatory Changes

- Plano Molding
- ACI

Approval of First Supplemental Loan Agreement

Approval of First Supplemental Indenture
(Series 1998 and 1999)

Other Business

- 17. Venture Capital Monitoring Report
- 18. Glossary of Acronyms and Terms
- 19. Market and Product Codes

Adjournment



**Illinois Finance Authority – Director’s Report
August 10, 2004**

To: IFA Board of Directors and Governor’s Office

From: Director Ata

I. Sales Activity:

- Sales and Marketing efforts continue to show encouraging results. We are pleased to submit for your approval 17 proposals.
- Total fees paid at closing to IFA, for these transactions, are estimated to be \$586,840, consisting of \$440,615 for preliminaries, and \$146,225 for finals.
- The attached project summary titled “IFA Opportunity Returns” is a list of 110 IFA projects since the inception of the IFA in January, 2004 in 6 market segments totaling \$2,867,993,890.

II. Marketing:

1) Health Care:

- In July, there were two healthcare closings, generating \$143,680 in fees. One new hospital transaction will be presented to the Board in August.
- The pending bill to dismiss the Health Facilities Planning board has passed. Once the reappointment and approval process of the new board is final, the approval process will resume for Certificates of Need.

2) Education:

- The Pooled Bond Program, which the Village of Norris City, Village of Williamsville, and the City of Farmington participated, is scheduled to close the second week of August, 2004. Eric Watson will present an update at the August meeting.

3) Housing:

- The \$50 million Opportunity Home Mortgage bond issue closed July 29th. IFA anticipates receiving a total of \$250,000 in fees. The Program is ready to move forward pending announcement by Governor Blagojevich.
- Sharnell Curtis-Martin and Steven Trout will meet with the City of Chicago's Housing Commissioner in early August to discuss housing partnership opportunities.

4) Local Government:

- As a result of the Budget compromise, IFA expects to receive, before the end of this month, authorization from the Office of Management and Bond to fund up to \$5 million in Fire Truck Revolving Loan applications. Further authorization to fund an additional \$5 million in Fire Truck Revolving Loan applications is expected by the end of the calendar year.
- The first Bond Bank transaction undertaken by the IFA is scheduled to close on August 12, 2004 and will provide three downstate communities (the Villages of Williamsville, Norris City, and the City of Farmington) with nearly \$2.65 million in funding.

5) Agriculture:

- Five new Beginning Farmer Bond loans will be presented for approval at the August meeting.

6) Industrial:

- Three projects are scheduled to close in August: Recycling Systems, Inc., Transparent Container Company, and CFC International, Inc. These three projects will generate fees in the amount of \$130,000.

7) Legislative Issues:

- Bond Authorization. IFA is seeking legislation granting it \$6 billion in new bond authorization, much of it in its general statute category. The General Assembly adjourned without taking any action on this legislation. The General Assembly is expected to take up the matter during the veto session in November. Although it is estimated that the IFA has enough bond authorization to operate, at least until the end of the current calendar year, the bond authorization increase is needed if the IFA is to continue to operate much beyond the first of the year.
- Statutory Language Issues. The IFA consolidation legislation included a variety of provisions that impeded the IFA's ability to efficiently and effectively operate, and the IFA was seeking to correct these matters via a clean-up bill. Although the clean-up bill passed the Senate, the House adjourned without passing the bill.

In particular, the House expressed concerns about altering the IFA's quorum requirements. From a business perspective, the clean-up bill's most important provision would clarify the IFA's ability to fund projects for sectarian entity's that have a secular purpose. A number of financings were pending passage of this clarifying provision. Although the IFA was informed that the House apparently had no objection to this clarifying language, the clarifying provisions and the clean-up bill as a whole will not be dealt with until the veto session.

III. Financial:

1) Profit and Loss:

- The income statement and balance sheet for July 2004 is attached. IFA reports a net income of \$406,928 for the period.
- IFA drafted formal accounting policies and procedures based on best practices of predecessor authorities and improved practices important to IFA. IFA will implement a database for tracking important details associated with outstanding bond issue, and for use in reporting to the Office of the Comptroller.

- IFA operating expenses for the period of July, 2004 came in 2% over the Operating Expense Budget.

2) Financial Audits:

- The first IFA audit (for the period January 1 – June 30, 2004) is underway. The compliance audit is nearly complete; then the financial audit will begin.

IV. Volume Cap

- In July, the Authority's Opportunity Home Mortgage Program and MacLean-Fogg Company closed using approximately \$53M in Volume Cap. Four other Industrial Revenue Bond projects that have been offered Volume Cap will close from August through October, 2004. These projects account for approximately \$25M in IFA's 2004 allocation. To date, \$78M of the Authority's \$81M allocation for manufacturing and/or housing has closed or been allocated. Approximately \$3M in Volume Cap remains at this time. Volume Cap will continue to be allocated on a first come first serve basis.

IFA staff requested an additional \$41.4M in additional Volume Cap from the Office of Management and Budget's mid-year allocation pool.

IFA OPPORTUNITY RETURNS

INDUSTRIAL

PROJECT TYPE	AMOUNT	PURPOSE	NEW JOBS	CONST. JOBS	LOCATION
Alvar, Inc.	100,000	Construction of 10,500 sq. ft. building addition.	5	20	Washburn
American BioScience, Inc.	7,400,000	Bonds will be used to finance the acquisition of a building, renovations, machinery and equipment and pay certain bond issuance costs.	N/A	TBD	Elk Grove Village
Central Illinois Light Company	19,200,000	Proceeds will be used to refinance \$19,200,000 of outstanding Series 1992A and Series 1992B Pollution Control Refunding Revenue Bonds for the Duck Creek Power Plant located in unincorporated Fulton County.	N/A	N/A	Coffeen and Newton
Central Illinois Public Service Company	35,000,000	Proceeds will be used to refinance \$35,000,000 of outstanding IFA (IDFA) Series 1993A Pollution Control Revenue Refunding Bonds.	N/A	N/A	Coffeen, Newton
Cherry Valley Tool & Machine	2,400,000	Acquisition/renovation of existing manufacturing facility, construction of building addition, and equipment purchase.	20	15	Belvedere
CFC International Inc.	2,000,000	Finance purchase of building, machinery, equipment and pay certain issuance costs.	30	N/A	Chicago Heights
Excel Foundry and Machine, Inc.	300,000	Machinery and equipment acquisition.	3	N/A	Pekin
Exelon Generation Company, LLC	20,000,000	Proceeds used to finance the financing of an entombment facility for nuclear fuel rods.	N/A	TBD	Cordova
Illinois Biodiesel Company	21,800,000	Acquire land, construct a new building, purchase new equipment and pay bond issuance costs.	11	100	Pekin

IFA OPPORTUNITY RETURNS

EDUCATION

PROJECT TYPE	AMOUNT	PURPOSE	NEW JOBS	CONST. JOBS	LOCATION
Alliance for Character in Education	5,650,000	Construction of new gymnasium, refinance existing debt, capitalize interest and fund professional and bond issuance costs.	5	64	DesPlaines & Niles
Aspira, Inc., of Illinois	10,000,000	Purchase and renovate existing building, purchase furniture, fixtures and equipment, capitalize interest, and bond issuance costs.	134	12	Chicago
Columbia College	\$10,000,000	Proceeds will be used to refund outstanding Series 1992 A&B IFA (IEFA) revenue bonds, deposit funds into debt service reserve fund, and pay certain costs of issuance.	N/A	N/A	Chicago
DePaul University	56,000,000	Acquisition financing of residential facilities.	N/A	N/A	Chicago
Illinois Institute of Technology	18,820,000	Renovations, equipment, capitalize interest and fund professional bond issuance costs.	60	150	Chicago
MJH Education Assistance	80,000,000	University's Lincoln Park campus.	22	150	Chicago
Northwestern University	135,000,000	Construction, renovation, equipment, fund professional bond issuance costs.	150	250	Chicago

IFA OPPORTUNITY RETURNS

HEALTHCARE

PROJECT TYPE	AMOUNT	PURPOSE	NEW JOBS	CONST. JOBS	LOCATION
Alexian Brothers Health System	80,000,000	Modernize and expand hospital facilities.	N/A	200	Elk Grove & Hoffman Estates
BroMenn Healthcare	55,000,000	Refinance 1985D, 1990A, 1992 and 2002 Bonds, capital expenditures at facilities, and pay issuance costs.	N/A	N/A	Normal & Eureka
Central DuPage Health	240,000,000	Finance expansion and modernization of certain health facilities, refinance existing tax-exempt bonds previously issued by Wyndemere.	TBD	TBD	Winfield
Children's Memorial Medical Center	56,000,000	Advance refund callable Series 1999A Bonds, issuance and enhancement costs.	N/A	N/A	Chicago
The Clare at Water Tower	\$225,000,000	Finance development, construction and equipping of new continuing care retirement community.	147	400	Chicago
Covenant Retirement Communities	24,000,000	Advance refund Series 1997 bonds, capitalize debt service reserve fund, and pay certain bond issuance costs.	N/A	N/A	Carol Stream
Edward A. Ullaut Memorial Hospital	1,662,000	Acquisition of Siemens MRI equipment.	11	20	Greenville

IFA

OPPORTUNITY RETURNS

HEALTHCARE (CONTINUED)

PROJECT TYPE	AMOUNT	PURPOSE	NEW JOBS	CONST. JOBS	LOCATION
Roseland Community Hospital	10,500,000	Bond proceeds used to fund expansion and renovation of the Obstetrics Department, renovate and replace heating and cooling plants, refinance Series 1978 Bonds and pay bond issuance costs.	8	45	Chicago
Southern Illinois Healthcare Enterprises	35,000,000	Modernize and expand hospital facilities located in Carbondale, Herrin and Murphysboro.	N/A	200	Carbondale, Herrin & Murphysboro
Springfield Center for Independent Living	380,000	Land acquisition and office building.	6	30	Springfield
SwedishAmerican Health System	125,000,000	Finance construction and modernization of hospital campus and routine capital expenditures of existing health facilities.	N/A	TBD	Rockford
Thorek Hospital	4,000,000	1985 Pool Loan.	N/A	N/A	Chicago
HEALTHCARE TOTALS:	\$1,629,242,000		784	4,495	

IFA OPPORTUNITY RETURNS

AGRICULTURE (continued)

PROJECT TYPE	AMOUNT	PURPOSE	NEW JOBS	CONST. JOBS	LOCATION
Kyle Kiefer	132,300	Beginning farmer bond loan.	N/A	N/A	Jefferson
Brice and Carol Lawson	300,000	Restructure debt on guaranteed loan.	0	0	Chambersburg
Matthew and Michelle Merritt	152,000	Beginning farmer bond loan.	N/A	N/A	Carthage
Larry and Susan Messer	32,000	Beginning farmer bond loan.	N/A	N/A	Goodfield
Brandon Niekamp	108,000	Beginning farmer bond loan.	N/A	N/A	Coatsburg
Jason D. Organ	250,000	Beginning farmer bond loan.	N/A	N/A	McLeansboro
Daniel K. Reed (Pearl Valley Cheese Company, Inc.)	390,000	Loan guarantee for buildings, equipment, improvements and working capital.	11	0	Kent
Paul D and Lynn R. Schneider	500,000	Refinance existing operating carryover and increase guaranteed loan amount	N/A	N/A	Flanagan
Ronald and Suetleen Shike	\$140,000	Beginning farmer bond loan.	N/A	N/A	Carthage
Scott Soberg	250,000	Beginning farmer bond loan.	N/A	N/A	Chrisman
Soylutions, Inc.	300,000		TBD	TBD	
David and Cindy Stoll	190,000	Refinancing existing machinery notes and operating carryover.	N/A	N/A	Chestnut
Brent and Kyria VanhoveIn	108,000	Beginning farmer bond loan.	N/A	N/A	El Paso
Jared Walter	250,000	Beginning farmer bond loan.	N/A	N/A	Forrest

IFA OPPORTUNITY RETURNS

ENVIRONMENTAL

PROJECT TYPE	AMOUNT	PURPOSE	NEW JOBS	CONST. JOBS	LOCATION
City of Sparta	14,000,000	Construct water and sewer infrastructure.	150	TBD	Sparta
Construction Loan Interim Financing Program 2004	7,500,000	Provide funds for interim loans to certain units of local government of the State for construction and infrastructure projects.	N/A	Unknown	Statewide
LG Pooled Bond Program 2004-A	4,040,000				
Bourbonnais Township Park District (\$900,000)		Develop nature trails, interpretive center, access road and parking.	N/A	N/A	Bourbonnais Township
Village of Norris City (\$575,000)		Water sewer system improvements.	N/A	N/A	White County
Village of Williamsville (\$440,000)		Water sewer system improvements.	N/A	N/A	Sangamon County
City of Farmington (\$2,125,000)		Water sewer system improvements.	N/A	N/A	Fulton County
Recycling Systems, Inc.	11,000,000	Real estate improvements and purchase containers and other solid waste disposal sorting and transfer equipment.	30	70	Chicago
SRF	130,000,000	Leverage existing IEPA program assets dedicated to IEPA's Clean Water and Drinking Water State Revolving Funds.	N/A	N/A	Statewide
Village of Romeoville	\$16,500,000	Refund callable maturities of Series 2001A and 2001B Alternate Revenue Bonds, and fund issuance costs.	N/A	N/A	Romeoville
ENVIRONMENTAL TOTALS:	\$183,040,000		180	70	

IFA OPPORTUNITY RETURNS

QUALITY OF LIFE

PROJECT TYPE	AMOUNT	PURPOSE	NEW JOBS	CONST. JOBS	LOCATION
Architektur/80, Inc.	\$6,500,000	Acquisition and renovation of an existing 179 unit, 13 story senior housing property.	N/A	85	Rockford
Buena Vista Apartments	\$12,800,000	Acquisition and renovation of existing building, and purchase of equipment.	N/A	20	Egin
Central City Studios, LLC	\$25,000,000	Purchase land, equipment, construction, fund legal and professional costs.	1015	235	Chicago
Community Action Partnership of Lake County	7,350,000	Construct first building of proposed 3 building complex, purchase equipment, capitalize interest and portion of issuance costs.	14	146	Waukegan
Eagle Theatre Corporation	\$300,000	Acquisition, renovation and equipping 20,000 square foot building in Robinson, for use as a five-screen 600 seat movie theatre.	0	25	Robinson
Englewood Cooperative Apartments, Inc.	\$6,500,000	Refinance existing HUD Direct 202 debt, and finance building renovations.	N/A	15	Chicago
Fairview Obligated Group	\$50,000,000	Advance refund IHFA Series 1995 bonds, 1999 bonds, enhance liquidity, capitalize debt service reserve, pay issuance costs.	0	N/A	Downers Grove and Rockford
Freeport Area Economic Development Foundation, Inc.	\$250,000	Construction of a new Freeport/Stephenson County Visitors Center.	1	15	Freeport
Hispanic Housing Development Corporation	\$2,400,000	Acquisition and renovation of one floor in the former Helene Curtis Office Building to be utilized by the Hispanic Housing Development Corporation, and partially pay issuance costs.	21	0	Chicago

ILLINOIS FINANCE AUTHORITY
COMPARATIVE INCOME STATEMENT
FOR PERIOD ENDING JULY 31, 2004

	July 2005	YTD 2005	Budget July 2005	Budget YTD 2005	Variance Budget vs Actual	% Variance	Explanations
REVENUE	27,156.65	27,156.65	25,000.00	25,000.00	(2,156.65)	-8.63%	
INTEREST ON LOANS	32,552.39	32,552.39	25,000.00	25,000.00	(7,552.39)	-30.21%	
INVESTMENT INTEREST & GAIN(LOSS)	563,118.05	563,118.05	677,000.00	677,000.00	113,881.95	16.82%	
ADMINISTRATIONS & APPLICATION FEES	111,458.37	111,458.37	66,700.00	66,700.00	(44,758.37)	-67.10%	Variance is due to FannyBond Bank fees not in the Budget
ANNUAL ISSUANCE & LOAN FEES	27.05	27.05					
OTHER INCOME							
TOTAL REVENUE	734,312.51	734,312.51	793,700.00	793,700.00	59,414.54	7.49%	The 7.49% is below Revenue Plan
EXPENSES							
EMPLOYEE RELATED EXPENSES	153,540.80	153,540.80	175,400.00	175,400.00	21,859.20	12.46%	
COMPENSATION & TAXES	28,697.13	28,697.13	5,000.00	5,000.00	5,000.00	100.00%	
INCENTIVE PLAN	12,759.42	12,759.42	57,882.00	57,882.00	29,184.87	50.42%	ADP Total Source
BENEFITS	4,409.97	4,409.97	13,000.00	13,000.00	240.58	1.85%	
TEMPORARY HELP			4,500.00	4,500.00	90.03	2.00%	
TRAVEL & AUTO							
TOTAL EMPLOYEE RELATED EXPENSES	199,407.32	199,407.32	255,782.00	255,782.00	56,374.68	22.04%	
PROFESSIONAL SERVICES	37,037.52	37,037.52	15,000.00	15,000.00	(22,037.52)	-146.92%	Invoice for Legal fees \$27K dated May 04 was not accrued in fiscal year 2004.
CONSULTING, LEGAL & ADMIN	3,102.50	3,102.50	1,500.00	1,500.00	(1,602.50)	-106.83%	Variance is due to Mortgage Patent fee Application
LOAN EXPENSE & BANK FEE	9,947.32	9,947.32	25,000.00	25,000.00	15,052.68	60.21%	
ACCOUNTING & AUDITING			10,000.00	10,000.00	10,000.00	100.00%	
LITIGATION			12,000.00	12,000.00	12,000.00	100.00%	
FINANCIAL ADVISORY	1,805.06	1,805.06	0.00	0.00	81,94.94	81.95%	
MARKETING GENERAL	655.00	655.00	0.00	0.00	(655.00)	#DIV/0!	
VENTURE CAPITAL CONFERENCE/TRAINING	7,500.00	7,500.00	1,500.00	1,500.00	(6,000.00)	-400.00%	Variance is due to Sales/Consulting
MISCELLANEOUS PROFESSIONAL SERVICES	1,673.31	1,673.31	400.00	400.00	(1,273.31)	-318.33%	
DATA PROCESSING							
TOTAL PROFESSIONAL SERVICES	61,720.71	61,720.71	75,400.00	75,400.00	13,679.29	18.14%	
OCCUPANCY COSTS	30,878.59	30,878.59	35,000.00	35,000.00	4,121.41	11.78%	
OFFICE RENT	6,337.93	6,337.93	3,000.00	3,000.00	(3,337.93)	-111.26%	Variance is due to additional data wining to the Springfield Office.
EQUIPMENT RENTAL AND PURCHASES	4,811.56	4,811.56	850.00	850.00	(3,961.56)	-466.07%	Variance is due to additional jacks and cables for Bond bank and also due to underbudget
TELECOMMUNICATIONS	1,181.54	1,181.54	1,400.00	1,400.00	218.46	15.60%	
UTILITIES	803.68	803.68	300.00	300.00	(503.68)	-167.89%	
DEPRECIATION	1,606.52	1,606.52	2,000.00	2,000.00	393.48	19.67%	
INSURANCE							
TOTAL OCCUPANCY COSTS	45,619.82	45,619.82	42,550.00	42,550.00	(3,069.82)	-7.21%	
GENERAL & ADMINISTRATION	694.16	694.16	3,800.00	3,800.00	3,105.84	81.73%	
OFFICE SUPPLIES	567.00	567.00	0.00	0.00	(567.00)	#DIV/0!	
BOARD BOOK-PRINTING - EXPENSES	517.44	517.44	300.00	300.00	(217.44)	-72.48%	
PRINTING	915.18	915.18	3,000.00	3,000.00	2,084.82	69.49%	
POSTAGE & FREIGHT	551.92	551.92	2,400.00	2,400.00	1,848.08	77.00%	
MEMBERSHIP & DUES	146.55	146.55	300.00	300.00	153.45	51.15%	
PUBLICATIONS	14,879.83	14,879.83	11,700.00	11,700.00	(3,179.83)	-27.18%	Budget was calculated based on 14 months instead of 12.
OFFICERS & DIRECTORS INSURANCE	1,538.00	1,538.00	500.00	500.00	(1,038.00)	-207.60%	Variance is due to Advertising - Revised Board Schedule Meeting
MISCELLANEOUS							
TOTAL GENERAL & ADMINISTRATION EXPENSES	19,810.08	19,810.08	22,000.00	22,000.00	2,189.92	9.95%	
OTHER	825.81	825.81	850.00	850.00	24.19	2.85%	FMHA Loan interest expense.
INTEREST EXPENSE	825.81	825.81	850.00	850.00	24.19		
TOTAL OTHER	327,383.74	327,383.74	396,582.00	396,582.00	69,198.26	17.45%	
TOTAL EXPENSES	406,928.77	406,928.77	397,118.00	397,118.00	(9,783.72)	-2.46%	
NET INCOME (LOSS) BEFORE UNREALIZED GAIN/(LOSS)	406,928.77	406,928.77	397,118.00	397,118.00	(9,783.72)	-2.46%	
NET INCOME/(LOSS)							

**MINUTES OF THE REGULARLY SCHEDULED MEETING 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 regularly scheduled meeting at 2:00 P.M., on July 13, 2004 in the Sears Tower, 33rd floor, located at 233 South Wacker Drive in Chicago, Illinois.

MEMBERS PRESENT:

Joseph Alford
Natalia Delgado
Demetris Giannoulas
David Gustman
Edward Leonard
Martin Nesbitt
Terrence O'Brien
Jill Rendleman
Andrew Rice
Joseph Valenti

MEMBERS ABSENT:

Michael Goetz
Timothy Ozark

GENERAL BUSINESS ITEMS

Call to Order

Chairman Gustman called the meeting to order at approximately 2:05 P.M., with the above members present.

Roll Call

Chairman Gustman asked Secretary Pisarcik to call the roll. Having ten members present, a quorum was declared.

Item 1 - Acceptance of June 2004 Preliminary Financial Statements

Upon a motion by Mr. Leonard and seconded by Mr. Rice, Chairman Gustman requested a roll call vote. The motion was approved with 10 ayes, 0 nays, and 0 abstentions/present. (04-07-01)

Item 2 - Acceptance of the June, 2004 Minutes

The Chairman requested leave to apply the last unanimous vote. Leave was granted. The motion was approved with 10 ayes, 0 nays, and 0 abstentions/present (04-07-02).

The Chairman requested leave to apply the last unanimous vote. Leave was granted. The motion was approved with 10 ayes, 0 nays, and 0 abstentions/present (04-07-07).

Item-08 **N-NP-TE-CD-412: Featherfist and Featherfist Development Corporation**

This applicant requests preliminary approval of **\$1,500,000** in conduit 501(c)(3), Revenue Bonds to finance projects located in **Chicago, Illinois**. This project is expected to create **25 new jobs**.

The Chairman requested leave to apply the last unanimous vote. Leave was granted. The motion was approved with 10 ayes, 0 nays, and 0 abstentions/present. (04-07-08)

Item-09 **I-ID-TE-CD-411: CVT Acquisition, Inc. (d/b/a Cherry Valley Tool & Machine)**

This applicant requests preliminary approval of **\$2,400,000** in conduit Industrial Revenue Bonds to finance projects located in **Belvidere, Illinois**.

The Chairman requested leave to apply the last unanimous vote. Leave was granted. The motion was approved with 10 ayes, 0 nays, and 0 abstentions/present (04-07-09).

Item-10 **A-FB-TE-CD-432: Jay A Todd & Christian Diane Todd**

This applicant requests preliminary approval of \$125,000 in Beginning Farmer Bond Loans to finance a project in **Thompsonville, Illinois**.

The Chairman requested leave to apply the last unanimous vote. Leave was granted. The motion was approved with 10 ayes, 0 nays, and 0 abstentions/present (04-07-10).

Final Project Considerations

Item-11 **B-LL-TX-408: Frank and Donna Abdnour (The Spotted Cow, Inc.)**

This applicant requests final approval for **\$300,000** in Participation Loans to finance a project located in **Peoria, Illinois**. This project is expected to create **19 construction jobs**.

The Chairman requested leave to apply the last unanimous vote. Leave was granted. The motion was approved with 10 ayes, 0 nays, and 0 present. (04-07-11)

The Chairman requested leave to apply the last unanimous vote. Leave was granted. The motion was approved with 10 ayes, 0 nays, and 0 abstentions/present (04-07-16).

Item-17 **M-MH-TE-CD-406: Hinsdale Mirabel Limited Partnership (Hinsdale Lake Terrace Apartments Project)**

This applicant requests final approval of **\$45,000,000** in conduit Multi-Family Housing Revenue Bonds for a project located in **Unincorporated Willowbrook, Illinois**. This project is expected to create **20 construction jobs**.

The Chairman requested leave to apply the last unanimous vote. Leave was granted. The motion was approved with 10 ayes, 0 nays, and 0 abstentions/present (04-07-17).

Item-18 **P-SW-TE-CD-405: Recycling Systems, Inc.**

This applicant requests final approval of **\$11,000,000** in conduit Solid Waste Disposal Revenue Bonds for a project located in **Chicago, Illinois**. This project is expected to create **30 new jobs** and **60 construction jobs**.

Upon a motion by Mr. Valenti and seconded by Mr. Alford, Chairman Gustman requested a role call vote. The motion was approved with 9 ayes, 0 nays, and 1 present/abstention. Prior to the vote, Mr. O'Brien announced that he was abstaining from voting on this matter due to the fact he is President of the Board of Commissioners for the Metropolitan Water Reclamation District of Greater Chicago and his company, Terrance O'Brien & Co., is engaged to perform the Real Estate Impact Study. (04-07-18)

Item 19 **M-MH-TE-CD-405: Waterton Vistas II, LLC (New Vistas II Apartments Project)**

This applicant is requesting final approval of **\$8,500,000** in conduit Multi-Family Tax-Exempt Housing Revenue Bonds to finance a project located in **Chicago, Illinois**. This project is expected to create **10 construction jobs**.

Upon a motion by Mr. Leonard and seconded by Mr. O'Brien, Chairman Gustman requested a role call vote. The motion was approved with 10 ayes, 0 nays, and 0 abstentions/present (04-07-19).

Item 20 **V-TD-405: Mobitrac, Inc.**

Project Revisions/Amendatory Resolutions

Item-24 Little Company of Mary Hospital & Health Centers.

This applicant requests approval to convert the mode of existing Series 1997B Bonds to Auction Rate and to permit changes to the corresponding documents.

Acme Finishing Company, Inc.

This applicant requests approval to amend certain provisions of the Fourth Amendment to permit certain changes concerning the repayment of principal and interest and prepayment provisions to its Series 1998 Bonds.

Orchard Village

This applicant requests approval to amend certain provisions of its Loan Agreement to permit the sale of two of its facilities financed by the IDFA Community Rehabilitation Providers Facilities Acquisition Program Revenue Bonds, Series 2000.

The Chairman requested leave to apply the last unanimous vote. Leave was granted. The motion was approved with 10 ayes, 0 nays, and 0 abstentions/present (04-07-24).

The Chairman asked if there was any other business to come before the Board or if any member of the public wished to address the Board. There being no further business and no one seeking to address the Board, Chairman Gustman adjourned the meeting at approximately 2:45 P.M.

Respectfully Submitted

Michael Pisarcik, Secretary

ILLINOIS FINANCE AUTHORITY

Memorandum

To: IFA Board of Directors
From: Pam Lenane and Steve Trout
Date: August 10, 2004
Re: Overview Memo for Rest Haven Christian Services

- **Borrower/Project Name:** Rest Haven Christian Services
- **Locations:** Tinley Park, Palos Heights, South Holland, Crete, Downers Grove, and Homer Glen
- **Principal Project Contact:** Rick Schutt, President
- **Board Action Requested:** Purchase Contract Bond Resolution
- **Amount:** not to exceed \$50,000,000, comprised of
 - Refunding: \$33,675,000 to refinance existing debt.
 - New Money: approximately \$12,500,000 for capital expenditures to preserve cash balances and build liquidity.
- **Project Type:** Hospital
- **IFA Benefits:**
 - **Conduit Tax-Exempt Bonds** – no direct IFA or State funds at risk
 - **New Money Bonds:** convey tax-exempt status
 - **Refunding Bonds:** the underwriter will calculate the savings for the Final Resolution
- **IFA Fees:**
 - One-time, upfront closing fee will be \$100,000
- **Structure/Ratings:**
 - **Structure-** The plan of finance contemplates the issuance of fixed rate bonds, secured by a letter of credit from LaSalle Bank
 - **Ratings** – Non-rated
 - **Bank Security** – Gross revenue pledge, mortgage and master notes under a master indenture.
 - **Days cash on hand** – 70 days

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY**

Project: Rest Haven Christian Services

STATISTICS

Project Number: H/NH/RE/TE/CD-414	Amount: \$50,000,000 (Not to exceed amount)
Type: Not-for-Profit Bond	IFA Staff : Pam Lenane and Steve Trout
Locations: Multiple	Estimated fee: \$100,000

BOARD ACTION

Purchase Contract Resolution	Staff recommends approval
Conduit 501(c)(3) Bonds	No extraordinary conditions
No IFA funds at risk	

PURPOSE

Proceeds will be used to: 1) refinance existing indebtedness, 2) enhance liquidity, 3) capitalize a debt service reserve fund and 4) pay costs of issuance.

IFA CONTRIBUTION

Federal income tax exempt status on bond interest.

VOTING RECORD

Preliminary Bond Resolution adopted on May 18, 2004, by the following vote:

Ayes - 11 Nays - 0 Abstentions/Present - 0 Absent - 2 Vacancies - 2

ESTIMATED SOURCES AND USES OF FUNDS

Sources: IFA bonds	<u>\$46,175,000</u>	Uses: Refunding Escrow	\$30,868,289
		Project Fund	12,500,000
		Debt Service Reserve	1,780,425
		Issuance Costs	<u>1,026,286</u>
Total	<u>\$46,175,000</u>	Total	<u>\$46,175,000</u>

In addition, approximately \$10,000,000 of taxable and tax-exempt bonds is anticipated to be issued through the Michigan Strategic Fund to refinance existing debt associated with current senior living operations in the greater Grand Rapids area.

JOBS

Current employment: 735 FTEs (entire obligated group)	Projected new jobs: N/A
Jobs retained: All	Construction jobs: N/A

BUSINESS SUMMARY

Background: Rest Haven Christian Services ("Rest Haven") was founded in 1956 as an Illinois not-for-profit corporation to furnish caring health care and retirement living facilities for the Christian Reformed seniors in south-suburban Chicagoland.

Rest Haven is led by Rich Schutt and an experienced team of senior living professionals. Mr. Schutt is the immediate past-Chair of the American Association of Homes and Services for the Aging (AAHSA).

Rest Haven has grown to be a leading senior living systems in the United States and is currently ranked as the following in the AAHSA/Ziegler 100

- #27 by total senior living units,
- #54 by total independent living units,
- #13 by total assisted living units, and
- #29 by total nursing care beds.

Providence Management is the for-profit management, development and consulting affiliate of Rest Haven. In 1991, Rest Haven Christian Services' CEO Rich Schutt founded Providence Management & Development Company to enhance the ministry of Rest Haven by providing full-service management, development and consulting services that would specifically address the needs of the sick and elderly. It is a taxable wholly-owned subsidiary of Rest Haven.

Providence Management currently manages all of the Rest Haven nursing facilities and thirteen affordable housing facilities. Providence has been responsible for the construction and development of three retirement communities, the corporate Educational Institute for Rest Haven, and is currently involved in the development of several new communities.

Rest Haven has facilities at six campuses in Illinois as well as two campuses in Michigan. The table on the following page outlines Rest Haven's current Illinois unit mix:

Existing Facility/Location**	Nursing Care	Assisted Living	Independent Living	Total
Palos Heights, Illinois Rest Haven Central	193	0	0	193
South Holland, Illinois Rest Haven Holland Home	0	55	236	291
Rest Haven South	171	0	0	171
Crete, Illinois Rest Haven Village Woods	0	47	100	147
Downers Grove, Illinois Rest Haven West Christian Nursing Center	145	0	0	145
Downers Grove, Illinois Saratoga Grove	0	21	75	96
Homer Glen, Illinois Grand Victorian	0	0	52	52
Victorian Inn	0	59	0	59
TOTALS:	509	182	463	1154

The refinancing will generate cash flow savings and create an Obligated Group structure under a new Master Trust Indenture ("MTI") thereby establishing a flexible, efficient foundation for future growth. All of Rest Haven's existing debt will be refinanced under the new MTI. Further, approximately \$12,500,000 in new debt will be issued for capital expenditures to build liquidity.

Financials: **Rest Haven Christian Services**
Audited Financial Statements for 2001 and 2002. Unaudited for 2003

	Year Ended December 31		
	2001	2002	2003
(Dollars in 000's)			
Statement of Revenues & Expenses:			
Revenue/Support	\$50,892	\$55,010	\$49,998
Operating Income	(782)	(2,081)	(587)
Change in Net Assets	<u>(277)</u>	<u>(2,798)</u>	<u>384</u>
Earnings Before Interest, Depreciation and Amortization	4,224	2,112	5,279
Balance sheet:			
Current Assets	\$10,955	\$10,211	\$9,183
PP&E – Net	51,814	56,085	54,495
Other Assets	<u>10,020</u>	<u>9,659</u>	<u>9,168</u>
Total Assets	<u>72,789</u>	<u>75,955</u>	<u>72,846</u>
Current Liabilities	\$7,650	13,086	7,593
Long-term Debt	36,894	36,706	36,987
Other Non-Current Liab.	3,792	4,519	4,849
Net Assets	<u>24,453</u>	<u>21,644</u>	<u>23,417</u>
Total Liabilities & Net Assets	<u>72,789</u>	<u>75,955</u>	<u>72,846</u>
Ratios			
Debt Service Coverage	4.06x	1.68x	2.05x
Days Cash	80.6	64.6	70.1
Current ratio	1.43	0.78	1.21
Debt to Net Assets	1.51	1.70	1.58

Discussion: Rest Haven has generated ample cashflows to cover operating and capital expenses despite ongoing operating losses during the period reviewed. Management narrowed operating losses in 2003 by limiting growth in personnel costs and cutting costs for marketing and bad debt. Ongoing losses have been partially offset by income from investments, contributions and sale of excess land. The organization's liquidity appears adequate and its leverage appears manageable.

FINANCING SUMMARY

Security: Direct Pay Letter of Credit from LaSalle Bank.

Bank Security: Gross revenue pledge, mortgage and master notes under a master indenture. Covenants and other legal provisions are expected to be consistent with those in use for similar financings

Structure: The Series 2004 financing will be structured primarily as Variable Rate Demand Bonds that are secured by a Letter of Credit. The underwriters anticipate the projects will be financed with approximately \$47,175,000 in taxable and tax-exempt bonds. To the extent that credit facilities are not available, the project will be financed with unrated, unenhanced Ziegler EXTRASSM and/or fixed-rate retail bonds.

Maturity: 30 years

Interest Savings: To be determined.

ECONOMIC DISCLOSURE STATEMENT

Project name: Rest Haven Christian Services
Home Office: 18601 North Creek Drive, Suite A, Tinley Park, IL 60477
Applicant: Rest Haven Christian Services
Organization: 501(c)(3) Not-for-Profit Corporation
State: Illinois
Board of Trustees: Mr. Dave Beezhold
Mr. Al Bilthouse
Mr. Roger Boerema
Mr. Bill Brouwer

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Sosin, Lawler, & Arnold	Chicago	Tim Lawler
Accountant:	KPMG	Chicago	Jim Stark
Bond Counsel:	Jones Day	Chicago	John Bibby
Underwriter:	Ziegler Capital Markets Group	Chicago	Dan Hermann
Underwriter's Counsel:	Michael, Best & Friedrich	Chicago	John Durso
Bond Trustee:	TBD	Chicago	TBD
Issuer's Counsel:	Shefsky & Froelich	Chicago	Brian Hynes

LEGISLATIVE DISTRICTS

Congressional: 3 – William O. Lipinski
State Senate: 19 - M. Maggie Crotty
State House: 38 – Robin Kelly

ILLINOIS FINANCE AUTHORITY

Memorandum

To: IFA Board of Directors
From: Pam Lenane
Date: August 10, 2004
Re: Overview Memo for Roseland Community Hospital

- **Borrower/Project Name:** Roseland Community Hospital
- **Locations:** Chicago (Cook County)
- **Principal Project Contact:** Maurice Washington, CFO
- **Board Action Requested:** Preliminary Bond Resolution
- **Amount:** not to exceed \$11,500,000, comprised of
 - Refunding: \$1,775,000 million (Refund 1978 Bonds)
 - New Money: \$9,725,000 to fund a renovation to Roseland's OB-GYN unit, and to finance a renovation of the hospital's physical plant, including its heating and cooling systems
- **Project Type:** Hospital
- **IFA Benefits:**
 - **Conduit Tax-Exempt Bonds** – no direct IFA or State funds at risk
 - **Refunding Bond**- the underwriter will calculate the savings for the final resolution.
- **IFA Fees:**
 - One-time, upfront closing fee will be \$37,000
- **Structure/Ratings:**
 - **Structure**- The Series 2004 bonds will be a direct private placement with First American Bank (FAB) of Elk Grove Village
 - **Ratings** – Non-rated, secured by a general obligation pledge of the Borrower and mortgage on the land and buildings of the Hospital
 - **Days cash on hand** – 6 days

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY**

Project: Roseland Community Hospital Association

STATISTICS

Project Number: H-HO-TE-CD-416	Amount: \$11,500,000 (Not to exceed amount)
Type: Not-for-Profit Bond	IFA Staff: Pamela Lenane
Locations: Chicago	Estimated fee: \$37,000

BOARD ACTION

Preliminary Bond Resolution	Staff recommends approval
Conduit 501(c)(3) bonds	No extraordinary conditions
No IFA funds at risk	

PURPOSE

Bond proceeds will be used to (i) fund the expansion and renovation of the Obstetrics Department; (ii) fund the renovation and replacement of the Hospital's heating and cooling plants; (iii) refinance the Hospital's Series 1978 Bonds, (iv) fund equipment for the Hospital's emergency room and (v) pay bond issuance costs.

IFA CONTRIBUTION

Federal income tax exempt status on bond interest.

VOTING RECORD

This is the first time this project has been presented to the Board.

SOURCES AND USES OF FUNDS

Sources:	IFA bonds	\$11,000,000	Uses:	E.R. Equipment	\$448,000
				Expansion of O.B.	4,150,000
				Retirement of 1978 Bonds	1,841,000
				Physical Plant Project	4,143,000
				Issuance Costs	418,000
	Total	<u>\$11,000,000</u>		Total	<u>\$11,000,000</u>

JOBS

Current employment: 521	Projected new jobs: 8
Jobs retained: N/A	Construction jobs: 45

BUSINESS SUMMARY

Background: Roseland Community Hospital Association ("Association" or "Borrower") is an Illinois not-for-profit corporation, exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

Description: Roseland Community Hospital ("RCH" or the "Hospital") is a 162 bed, not-for-profit community hospital providing comprehensive health care services to resident's of Chicago's far south side neighborhoods.

The Hospital opened in 1924, with a mission to provide high-quality healthcare services to the residents of Roseland and surrounding community areas. With a staff of over 480 full-time equivalent employees, the Hospital operates to ensure that insured, uninsured and underinsured residents of the community receive appropriate healthcare services.

The Hospital provides a wide range of programs and services to its patients including diagnostic services, inpatient services, and outpatient services. Further, the Hospital provides preventive and educational initiatives to improve the health of community residents such as asthma, breast cancer, diabetes, cholesterol and prostate screenings, one-on-one mammogram health education sessions, and cardiovascular fitness for women and adolescent obesity reduction classes.

Service Area: The primary service area is defined as the Roseland community of Chicago. The secondary service area consists of neighboring far south side communities.

Financials: **Roseland Community Hospital Association**
Audited Financial Statements 2001 - 2003

	<u>Fiscal Years Ended June 30,</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
	(Dollars in 000's)		
Income Statement:			
Support and revenues	\$37,434	\$42,102	\$47,171
Revenue over expenses	<u>(4,435)</u>	<u>(1,229)</u>	401
EBIDA	(\$2,861)	\$303	\$2,628
Balance Sheet:			
Current assets	\$6,528	\$5,264	\$6,817
Assets limited as to use	3,383	2,720	1,993
PP&E	4,336	4,003	4,837
Other assets	487	781	738
Total assets	<u>14,734</u>	<u>12,768</u>	<u>14,385</u>
Current liabilities	10,368	8,140	5,504
Debt	210	622	2,322
Other liabilities	3,662	4,689	4,892
Net assets	<u>494</u>	<u>(683)</u>	<u>1,667</u>
Total liabilities & net assets	<u>\$14,734</u>	<u>\$12,768</u>	<u>\$14,385</u>
Ratios:			
Debt service coverage	-3.85X	0.39X	3.51X
Days cash on hand	21	14	6
Current ratio	0.63	0.65	1.24
Debt/net assets*	235%	-110%	72%

*In FY 2001 and 2002, the Hospital's outstanding long-term debt of \$2,585,000 and \$2,335,000 respectively was in technical default because of non-compliance with debt service coverage ratios. As a result the outstanding debt was recorded as a current liability in those years. The coverage improved in FY 2003 and the debt was moved back into the long term column.

Discussion: In 1999-2001, the Hospital experienced falling admissions and patient days and substantial deficits. Faced with these trends, the Hospital's management took a number of steps to reduce expenditures

and increase revenues including staffing reductions of 135 FTEs in 2000 and 2001, introduction of a senior program to increase Medicare admissions and PIP payments, renegotiating of key supply contracts, hiring of a new Director of Patient Accounts to improve collections and soliciting grants for a new emergency department.

These actions have resulted in significant improvements in profitability from a loss of \$4.3 million in 2001 to a loss of \$1.05 million in 2002 to a surplus of \$1.41 million in 2003. The Hospital management expects a surplus of \$700,000 - \$800,000 for FYE 2004 (audit will be finalized in early August).

FINANCING SUMMARY

Security: The Borrower intends to issue bonds on a non-rated basis. The Bonds will be secured by a general obligation pledge of the Borrower and a mortgage on the land and buildings of the Hospital.

Structure: A direct private placement of the Bonds with First American Bank at a fixed rate for 3 or 5 years with a reset of the rate thereafter. The Bank will have an option to put the Bonds back to the Borrower after 3 or 5 years.

Maturity: Expected to be 25 years

INTEREST SAVINGS

The new money and refunding is being structured so as to result in debt service only slightly above what the Hospital is currently paying.

PROJECT SUMMARY

Bond proceeds will be used to (i) fund the expansion and renovation of the Obstetrics Department; (ii) fund the renovation and replacement of the Hospital's heating and cooling plants; (iii) refinance the Hospital's Series 1978 Bonds, (iv) fund equipment for the Hospital's emergency room and (v) pay bond issuance costs.

ECONOMIC DISCLOSURE STATEMENT

Project name:	Roseland Community Hospital Association	
Locations:	Roseland Community Hospital, 45 West 111 th Street, Chicago, Illinois 60628	
Applicant:	Roseland Community Hospital Association	
Organization:	501 (c)(3) Not-for-Profit Corporation	
State:	Illinois	
Board of Trustees:	Dr. Jai Arya	Dr. Larry Mitchell
	Alderman Carrie Austin	Salim Al Nurridin
	Dr. Vincent C. Bakeman	Shirley Pickett
	Dr. Claretta Hodges	Dian M. Powell
	Earmon Irons	Commissioner Deborah Sims
	Dr. William Johnson	LaJewell Thompson
	Senator Emil Jones, Jr.	
	Bishop Emery Lindsay	

PROFESSIONAL & FINANCIAL

Bond Purchaser:	First American Bank	Elk Grove Village	
Borrower's Counsel:	John Cullinane	St. Louis	John Cullinane
Accountant:	KPMG LLP	Chicago	
Bond Counsel:	Chapman and Cutler	Chicago	Nancy Burke
Financial Advisor:	Griffin, Kubik, Stephens & Thompson, Inc.	Chicago	Michael Boisvert, Jamie Rachlin
Issuer's Counsel:	Schiff Hardin	Chicago	Bruce Weisenthal

LEGISLATIVE DISTRICTS

Congressional:	2	Jesse L. Jackson, Jr.
State Senate:	14	Emil Jones, Jr.
State House:	28	Robert "Bob" Rita

ILLINOIS FINANCE AUTHORITY

Memorandum

To: IFA Board of Directors

From: Rich Frampton

Date: August 10, 2004

Re: Overview Memo for Central Illinois Public Service Company
(d/b/a AmerenCIPS)
P-PO-TE-CD-406A

- **Borrower/Project Name:** Central Illinois Public Service Company
d/b/a AmerenCIPS
- **Locations:** Coffeen (Montgomery County) and Newton (Jasper County)
- **Principal Project Contact:** Mike O'Bryan, Senior Capital Markets Specialist,
Ameren Corporation, St. Louis, MO
- **Board Action Requested:** Preliminary Bond Resolution
- **Amount:** not to exceed \$35 million
- **Project Type:** Pollution Control Revenue Refunding Bonds
- **IFA Benefits:**
 - Facilitate a consolidated refunding issue/closing for a multi-site project for two Ameren operating subsidiaries
 - **Conduit Tax-Exempt Bonds** – no direct IFA or State funds at risk
 - **Refunding Bonds:** Convert Fixed Rate Bonds (6.375%) to 35-Day Floating Auction Rate Bonds (current market rate of 1.10% as of 7/21/04)
- **IFA Fees:**
 - One-time, upfront closing fee will be \$185,000 for this Series (which will refund existing IFA (IDFA) Bonds
 - IFA will collect a combined fee of \$225,000 pursuant to IFA's new fee schedule for this transaction and the accompanying Central Illinois Light Company refinancing (includes an additional \$40,000 for the incremental Central Illinois Light Company Bonds – which will be refunded by IFA for the first time.)
 - These Bonds will represent the first opportunity for IFA to refinance CILCO bonds under Ameren's ownership

- **Structure/Ratings:**
 - Bonds to be sold directly based on Bond Insurance from XL Capital Assurance (Aaa/AAA/AAA- rated by Moody's/S&P/Fitch)
 - *CIPS' current ratings (informational only)*. CIPS' negative outlooks are attributable to Ameren's proposed acquisition of Illinois Power Company from Dynegy, Inc. announced in February 2004. (Ameren is CIPS' parent company.)
 - Moody's: A1/Negative
 - S&P: A-/Negative
 - Fitch: A-/Negative

- **Current and estimated rates:** The Series 1993A IFA (IDFA) Bonds currently bear interest at a fixed rate at 6.375%. The current market rate on 35-Day Auction Rate Mode Bonds was approximately 1.10% as of 7/21/2004.

- **Positive Factors for Recommendation:**
 - **Conduit transaction**
 - IFA indemnified by a third-party Borrower
 - No IFA or State funds at risk
 - **Bond insurance helps mitigate risk of potential Ameren/CIPS downgrade**
 - Incremental fee income attributable to Ameren's willingness to use IFA to issue bonds in connection with a refinancing of existing Home Rule Unit Bonds (Village of Bryant) for its new Central Illinois Light Company subsidiary (acquired in 2003).

- **Recommendations/Conditions:**
 - Staff recommends approval – because transaction is an insured, conduit bond issue, no extraordinary conditions will be required.

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY**

**Project: Central Illinois Public Service Company
(d/b/a AmerenCIPS)**

STATISTICS

Project Number:	P-PO-TE-CD-406A	Amount:	\$35,000,000 (not-to-exceed amount)
Type:	E/REF	IFA Staff:	Rich Frampton
Locations:	Coffeen, Newton	Tax ID:	37-0211380
SIC Code:	4939	Est. fee:	\$185,000 (\$225,000 overall, including proposed refunding of Village of Bryant Bonds for CILCO – incremental fee for additional series is \$40,000 pursuant to IFA fees schedule --see next agenda item)

BOARD ACTION

Preliminary Bond Resolution	No IFA funds at risk.
Tax-Exempt Pollution Control Refunding Revenue Bonds	No extraordinary conditions
Staff recommends approval	

PURPOSE

Proceeds will be used to refinance \$35,000,000 of outstanding IFA (IDFA) Series 1993A Pollution Control Revenue Refunding Bonds.

IFA CONTRIBUTION

None. Refunding bonds do not require Volume Cap.

VOTING RECORD

No voting record. This is the first time this project has been presented to the IFA Board.

SOURCES AND USES OF FUNDS

Sources:	IFA Bonds	\$35,000,000	Uses:	Refunding Bonds	\$35,000,000
	Equity	<u>635,000</u>		Costs of Issuance	<u>635,000</u>
	Total	<u>\$35,635,000</u>		Total	<u>\$35,635,000</u>

JOBS

Current employment:	764	Projected new jobs:	N/A
Jobs retained:	N/A	Construction jobs:	N/A

BUSINESS SUMMARY

Background: Central Illinois Public Service Co. ("CIPS", "AmerenCIPS", or the "Company") is a subsidiary of Ameren Corporation ("Ameren"). Ameren is a holding company formed on December 31, 1997, through the merger of Central Illinois Public Service Company, Inc. of Springfield, Illinois and Union Electric Company ("UE") of St. Louis.

Description: Ameren Corporation is a public utility holding company that provides energy services to 2.2 million customers in Missouri and Illinois. Approximately 95% of Ameren's sales are derived from electricity, with the remainder from natural gas. Ameren is currently the second largest electric utility in Illinois. In February 2004, Ameren signed a definitive agreement to purchase the stock of Illinois Power Company of Decatur, Illinois from Dynegy, Inc. of Houston, TX. The acquisition of Illinois Power is expected to occur during the 4th quarter of 2004. Ameren closed on the purchase of Peoria-based Central Illinois Light Company in February 2003.

Ameren's primary asset is the common stock of its subsidiaries. Ameren's subsidiaries operate rate-regulated electric generation, transmission and distribution businesses, rate-regulated natural gas distribution businesses and non rate-regulated electric generation businesses in Illinois and Missouri.

Ameren's principal Illinois operating subsidiaries include CIPS, AmerenCILCO (Central Illinois Light Company, which is also a borrower in a companion financing also being presented today). Although CIPS divested its electric generating facilities, including the subject Newton (Jasper County) and Coffeen (Montgomery County) power plants, to AmerenEnergy Generating Company ("GENCO") in 2000, the long-term debt and tax-exempt bonds issued on behalf of these facilities remain a long-term obligation of CIPS (pursuant to Illinois' electricity deregulation legislation).

CIPS was originally established in 1902 and is a public utility operating company operating a rate-regulated electric and natural gas transmission and distribution business. CIPS service territory primarily consists of small towns and rural areas in Central and Southern Illinois. CIPS provides energy services across 66 counties to 323,000 electric customers in 557 Illinois communities. Major communities located in CIPS' service territory include Quincy, Mattoon, Effingham, and Carbondale.

Financials: Audited Financial Statements for Fiscal Years 2001-2003. No projections were prepared since the Borrower is a wholly-owned subsidiary of a publicly owned company.

	Year Ended December 31		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
	(Dollars in 000's)		
Income statement:			
Sales	\$840,000	\$824,000	\$742,000
Net income	46,000	26,000	29,000
Balance sheet:			
Current Assets	316,000	289,000	268,000
PP&E	822,000	949,000	955,000
Other Assets	<u>645,000</u>	<u>583,000</u>	<u>519,000</u>
Total	<u>1,783,000</u>	<u>1,821,000</u>	<u>1,742,000</u>
Current Liabilities	221,000	190,000	238,000
Long Term Liab.	800,000	724,000	723,000
Other Non-Cur. Liab.	339,000	505,000	487,000
Equity	<u>644,000</u>	<u>592,000</u>	<u>532,000</u>
Total	<u>1,783,000</u>	<u>1,821,000</u>	<u>1,742,000</u>

Ratios:

Debt coverage	2.33x	1.82x	1.53x
Current ratio	1.43	1.52	1.13
Debt/equity	1.09	1.13	1.01
Debt/total capitalization	0.95	0.98	0.91

Discussion: The IFA (IDFA) 1993 Series A Bonds currently yield a fixed interest rate of 6.375%. The proposed Refunding Bonds, set to mature January 1, 2028, would be sold as 35-Day Auction Rate securities, thereby reducing CIPS' annual payments by \$700,000 per annum (assuming a long-term average floating rate of 4.375%) thereby improving the Company's already strong debt service coverage ratio of 1.53x in 2003.

CIPS' long-term debt is currently rated "A1"/"A-"/"A" by Moody's/S&P/Fitch with a negative outlook (attributable to Ameren's pending acquisition of Illinois Power, which could potentially drain resources from existing operating subsidiaries according to the rating agencies). Despite the current negative outlook by the rating agencies, the proposed Refunding Bonds will be insured by XL Capital Assurance and will carry Aaa/AAA/AAA ratings from Moody's/S&P/Fitch, as applicable.

CIPS' reduced 2003 revenues reflected a reduction in electricity sales due to cool summer weather conditions and the loss of several commercial and industrial customers to Ameren's non-regulated Marketing Company.

CIPS is in compliance with all pertinent earnings tests and covenants contained in its mortgage loans as of its 6/30/04 10-Q filing.

FINANCING SUMMARY

Security: Aaa/AAA/AAA (Moody's/S&P/Fitch) Municipal Bond Insurance from XL Capital expected.
Structure/
Interest Rate: The Refunding Bonds will be issued in 35-Day Auction Rate Mode. The current representative market rate on Auction Rate Mode Bonds was approximately 1.10% as of 7/21/04.
Maturity: Series 2004 Bonds – approximately 24 years (January 1, 2028). These Bonds will retain the existing Final Maturity Date on the Series 1993 Bonds.

PROJECT SUMMARY

Bond proceeds will be used to refinance the outstanding principal of Series 1993A IFA (IDFA) Pollution Control Refunding Revenue Refunding Bonds. The Series 1993 A Bonds were originally issued in 1979 by the Illinois Industrial Pollution Control Financing Authority (a predecessor of IFA) and were used various construct air and water pollution control and solid waste disposal facilities at the Company's Coffeen Power Station (134 CIPS Lane, Coffeen [Montgomery County], IL 62017) and Newton Power Station (6725 N. 500th Street, Newton [Jasper County], IL 62448-4228).

ECONOMIC DISCLOSURE STATEMENT

Applicant: Central Illinois Public Service Co./AmerenCIPS (Contact: Mr. Michael O'Bryan, Senior Capital Markets Specialist, Ameren Corporation, One Ameren Plaza, 1901 Chouteau Avenue, PO Box 66149, St. Louis, MO 63166-6149. Ph.: 314-554-3503; Fax: 314-554-6325
email: mobryan@ameren.com
Web Site: www.ameren.com

Project name: CIPS Series 2004 Pollution Control Revenue Refunding Bonds

Locations: Coffeen Power Station, 134 CIPS Lane, Coffeen (Montgomery County), IL 62017 and Newton Power Station, 6725 N. 500th Street, Newton (Jasper County), IL 62448-4228

Organization: Corporation

State: Illinois (CIPS)
Ownership: Ameren Corporation (Holding Company, a Missouri Corporation): 100%

Entities that hold a 5.0% or greater ownership interest in Ameren Corporation include
(as of 3/31/2004):

Capital Research and Management Company, 333 South Hope Street, Los Angeles, CA 90071: 5.97%. Capital Research and Management Company is an Investment Adviser registered under Section 203 of the Investment Advisers Act of 1940.

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Ameren Corporation (in-house)	St. Louis, MO	Steve Sullivan
Bond Counsel:	Chapman and Cutler LLP	Chicago, IL	Andrea Bacon
Credit Enhancement:	XL Capital Assurance	New York, NY	
Counsel to Credit Enhancer:	To be determined		
Underwriters/Co-Managers:	* Bids currently under review. See Note below.		
Underwriter's Counsel:	* To be determined. See Note below.		
Auction Agent:	Deutsche Bank	New York, NY	
Accountant:	PricewaterhouseCoopers LLP	St. Louis, MO	Miles Mooney
Trustee:	Bank of New York	New York, NY	
Issuer's Counsel:	Cahill Law Office	Chicago, IL	Kevin Cahill

LEGISLATIVE DISTRICTS

	<u>Coffeen</u>	<u>Newton</u>
Congressional:	17	19
State Senate:	19	54
State House:	98	108

***Note:** Ameren has solicited bids from several investment banking firms and is currently reviewing these bids. The selection of the Senior Managing Underwriter and Co-Managers for these Auction Rate Bonds will be disclosed when this project returns for final IFA Board consideration.

The Senior Manager will engage Underwriter's Counsel for this financing.

ILLINOIS FINANCE AUTHORITY

Memorandum

To: IFA Board of Directors

From: Rich Frampton

Date: August 10, 2004

Re: Overview Memo for Central Illinois Light Company
(d/b/a AmerenCILCO)
P-PO-TE-CD-406B

- **Borrower/Project Name:** Central Illinois Light Company
d/b/a AmerenCILCO
- **Location:** Unincorporated Fulton County (Duck Creek Plant)
- **Principal Project Contact:** Mike O'Bryan, Senior Capital Markets Specialist,
Ameren Corporation, St. Louis, MO
- **Board Action Requested:** Preliminary Bond Resolution
- **Amount:** not to exceed \$19.2 million
- **Project Type:** Pollution Control Revenue Refunding Bonds
- **IFA Benefits:**
 - Facilitate a consolidated issuance/closing of these Bonds with a \$35M IFA Refunding by Ameren's Central Illinois Public Service Company affiliate
 - Conduit Tax-Exempt Bonds – no direct IFA or State funds at risk
 - Refunding Bonds: Convert Fixed Rate Bonds (6.50%) to 35-Day Floating Auction Rate Bonds (current market rate of 1.10% as of 7/21/04)
- **IFA Fees:**
 - One-time, upfront closing fee will be \$40,000 (plus an additional \$185,000 for an incremental series for the immediately preceding Central Illinois Public Service – this represents the first opportunity to refund CILCO along with CIPS bonds subsequent to Ameren 2003 acquisition of CILCO).
 - IFA will collect a combined fee of \$225,000 pursuant to IFA's new fee schedule for this transaction and the preceding CIPS refinancing
 - This transaction will provide IFA with incremental fee income of \$40,000, and will result in IFA refinancing Bonds originally issued by the Village of Bryant (and provide an opportunity to develop an ongoing relationship with Ameren to refund any debt issued by subsidiaries through Home Rule Units through IFA)

- These Bonds will represent the first opportunity for IFA to refinance CILCO bonds under Ameren's ownership)
- **Structure/Ratings:**
 - Bonds to be sold directly based on Bond Insurance from FGIC (Aaa/AAA/AAA – rated by Moody's/S&P/Fitch)
 - *CILCO's current ratings (informational only)*. CILCO's negative outlooks is attributable to Ameren's proposed acquisition of Illinois Power Company from Dynegy, Inc. announced in February 2004. (Ameren is CILCO's parent company.)
 - Moody's: A2/Negative
 - S&P: A-/Negative
 - Fitch: A-/Negative
 - **Current and estimated rates:** The Series 1992A and Series 1992C Village of Bryant Bonds currently each bear interest at a fixed interest rate of 6.50%. The current market rate on 35-Day Auction Rate Mode Bonds was approximately 1.10% as of 7/21/2004.
- **Positive Factors for Recommendation:**
 - **Conduit transaction**
 - IFA indemnified by a third-party Borrower
 - No IFA or State funds at risk
 - **Bond insurance helps mitigate risk of potential Ameren/CILCO downgrade**
 - \$40,000 of incremental fee income attributable to Ameren's willingness to use IFA also refinance these Village of Bryant Bonds in connection with a concurrent refunding of \$35M of Prior IFA (IDFA) Bonds issued for CIPS (see preceding item on IFA Board Agenda).
- **Recommendations/Conditions:**
 - Staff recommends approval – because transaction is an insured, conduit bond issue, no extraordinary conditions will be required.

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY**

**Project: Central Illinois Light Company
(d/b/a AmerenCILCO)**

STATISTICS

Project Number: P-PO-TE-CD-406B	Amount: \$19,200,000 (not-to-exceed amount)
Type: E/REF	PA: Rich Frampton
Location: Unincorporated Fulton County	Tax ID:
SIC Code: 4939	Est. fee: \$40,000 (incremental revenue on Refundings beyond the 1 st Series this new IFA business; \$225,000, including concurrent \$35M Refunding for AmerenCIPS as pursuant to IFA fee schedule – see preceding agenda item)

BOARD ACTION

Preliminary Bond Resolution No IFA funds at risk.
 Tax-Exempt Pollution Control Refunding Revenue Bonds
 No extraordinary conditions
 Staff recommends approval

PURPOSE

Proceeds will be used to refinance \$19,200,000 of outstanding Series 1992A and Series 1992C Pollution Control Refunding Revenue Bonds for the Duck Creek Power Plant located in unincorporated Fulton County. The Series 1992 Bonds were issued by the Village of Bryant, a Home Rule Unit located within 10 miles of the project site.

IFA CONTRIBUTION

None. Refunding bonds do not require Volume Cap.

VOTING RECORD

No voting record. This is the first time this project has been presented to the IFA Board.

SOURCES AND USES OF FUNDS

Sources:	IFA Bonds	\$19,200,000	Uses:	Refunding Bonds	\$19,200,000
	Equity	<u>320,000</u>		Costs of Issuance	<u>320,000</u>
	Total	<u>\$19,520,000</u>		Total	<u>\$19,520,000</u>

JOBS

Current employment:	855 (Company)	Projected new jobs:	N/A
Jobs retained:	N/A	Construction jobs:	N/A

BUSINESS SUMMARY

Background: Central Illinois Light Company (“CILCO”, “AmerenCILCO”, or the “Company”) is a subsidiary of Ameren Corporation (“Ameren”) purchased as of 1/31/2003 from AES Corporation. Ameren is a holding company formed on December 31, 1997, through the merger of Central Illinois Public Service Company, Inc. of Springfield, Illinois and Union Electric Company (“UE”) of St. Louis.

Description: Ameren Corporation is a public utility holding company that provides energy services to 2.2 million customers in Missouri and Illinois. Approximately 95% of Ameren’s sales are derived from electricity, with the remainder from natural gas. Ameren is currently the second largest electric utility in Illinois. In February 2004, Ameren signed a definitive agreement to purchase the stock of Illinois Power Company of Decatur, Illinois from Dynegy, Inc. of Houston, TX. The acquisition of Illinois Power is expected to occur during the 4th quarter of 2004.

CILCO was established in 1913 and provides natural gas service to more than 203,000 Illinois customers in 19 counties, in Central and East Central Illinois.

CILCO’s electric service territory includes the following communities: Peoria, East Peoria, Pekin, Washington, Morton and 21 other communities in the Greater Peoria area. Additionally, CILCO provides service to Lincoln and portions of East Central Illinois (including the City of Tuscola).

Financials: Audited Income Statements for Fiscal Years 2001-2003 and Balance Sheets as of 12/31/02-12-31-03 only. No projections prepared since CILCO is a wholly owned subsidiary of a public company.

	Year Ended December 31		
	2001	2002	2003
	(Dollars in 000's)		
Income statement:			
Sales	\$740,000	\$719,000	\$822,000
Net income	14,000	50,000	45,000
Balance sheet:			
Current Assets		193,000	188,000
PP&E		1,031,000	1,101,000
Other Assets		<u>26,000</u>	<u>35,000</u>
Total		<u>1,250,000</u>	<u>1,324,000</u>
Current Liabilities		154,000	393,000
Long Term Liab.		470,000	531,000
Other Non-Cur. Liab.		416,000	451,000
Equity		<u>364,000</u>	<u>342,000</u>
Total		<u>1,250,000</u>	<u>1,324,000</u>
Ratios:			
Debt coverage	2.35x	3.05x	3.33x
Current ratio		1.25	0.48
Debt/equity		1.27	0.88
Debt/total capitalization		0.94	0.70

Discussion: The Series 1992A and Series 1992C Bonds currently yield a fixed interest rate of 6.50%. The proposed Refunding Bonds, set to mature January 1, 2028, would be sold as 35-Day Auction Rate securities, thereby reducing CILCO’s annual payments by \$408,000 per annum initially (assuming a long-term average floating rate of 4.375%) thereby improving the Company’s already strong debt service coverage ratio of 3.33x in 2003.

CILCO's long-term debt is currently rated "A2"/"A-"/"A" by Moody's/S&P/Fitch with a negative outlook (attributable to Ameren's pending acquisition of Illinois Power, which could potentially drain resources from existing operating subsidiaries according to the rating agencies). Despite the current negative outlook by the rating agencies, the proposed Refunding Bonds will be insured by FGIC and would carry Aaa/AAA/AAA ratings from Moody's/S&P/Fitch, as applicable.

CILCO is in compliance with all pertinent earnings tests and covenants contained in its mortgage loans as of its 6/30/04 10-Q filing.

FINANCING SUMMARY

Security: Aaa/AAA/AAA (Moody's/S&P/Fitch) Municipal Bond Insurance from FGIC.
Structure/
Interest Rate: The Refunding Bonds will be issued in 35-Day Auction Rate Mode. The current market rate on representative Auction Rate Mode Bonds was approximately 1.10% as of 7/21/04.
Maturities: Series 2004 A (Refunding Series 1992A due 2/1/2018) – extend final maturity date to 2039
Series 2004 B (Refunding Series 1992C due 1/1/2010) – extend final maturity date to 2026

PROJECT SUMMARY

Bond proceeds will be used to refinance the outstanding principal of Series 1992A and Series 1992C Pollution Control Refunding Revenue Bonds issued in June 1992 and July 1992 (respectively) by the Village of Bryant, Illinois. The Series 1992A and Series 1992C Bonds were refinancings of the Village's Series 1982 and 1974 Pollution Control Revenue Bonds (the "Original Bonds"). The Original Bonds were used to construct air and water pollution control facilities at the Company's Duck Creek Power Plant located at 17751 N. Cilco Rd. in unincorporated Fulton County Illinois (zip code: 61520).

ECONOMIC DISCLOSURE STATEMENT

Applicant: Central Illinois Light Company Company/AmerenCILCO (Contact: Mr. Mike O'Bryan, Senior Capital Markets Specialist, c/o Ameren Services, One Ameren Plaza, 1901 Chouteau Avenue, PO Box 66149, St. Louis, MO 63166-6149. Ph: 314/554-4140; Fax: 314/554-4075; email: mobryan@ameren.com.)
Web site: www.ameren.com
Project name: CILCO Series 2004 A & Series 2004B Refunding Bonds
Location: Duck Creek Plant, 17751 N. Cilco Rd., Canton (Unincorporated Fulton County), Illinois 61520
Organization: Corporation
State: Illinois (CILCO)
Ownership: Ameren Corporation (Holding Company): 100%

Entities that hold a 5.0% or greater ownership interest in Ameren Corporation include (as of 3/31/2004):

Capital Research and Management Company, 333 South Hope Street, Los Angeles, CA 90071: 5.97%. Capital Research and Management Company is an Investment Adviser registered under Section 203 of the Investment Advisers Act of 1940.

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Ameren Corporation (in-house)	St. Louis, MO	Steve Sullivan
Bond Counsel:	Chapman and Cutler LLP	Chicago, IL	Andrea Bacon
Credit Enhancement:	FGIC	New York, NY	
Counsel to Credit Enhancer:	To be determined		
Underwriters/ Co-Managers:	* Bids currently under review. See Note below.		
Underwriter's Counsel:	* To be determined. See Note below.		
Auction Agent:	Deutsche Bank	New York, NY	
Accountant:	PricewaterhouseCoopers, LLC	St. Louis, MO	Miles Mooney
Trustee:	Bank of New York	New York, NY	
Issuer's Counsel:	Cahill Law Office	Chicago, IL	Kevin Cahill

LEGISLATIVE DISTRICT

Unincorporated Fulton County

Congressional:	17	Lane Evans
State Senate:	46	George Shadid
State House:	91	Michael K. Smith

***Note:** Ameren has solicited bids from several investment banking firms and is currently reviewing these bids. The selection of the Senior Managing Underwriter and Co-Managers for these Auction Rate Bonds will be disclosed when this project returns for final IFA Board consideration.

The Senior Manager will engage Underwriter's Counsel for this financing.

ILLINOIS FINANCE AUTHORITY

Memorandum

TO: IFA Board of Directors
FROM: Townsend S. Albright
DATE: August 10, 2004
RE: Revised Overview Memo for Village of Romeoville

- **Borrower/Project Name:** Village of Romeoville
- **Location:** Romeoville (Will County)
- **Principal Project Contact:** Kevin McCanna, Speer Financial (Financial Advisor)
- **Board Action Requested:** Approval of a revised Final Bond Resolution to increase the par amount from \$16,500,000 to \$28,000,000 and to provide funds for additional capital improvements. This project was originally presented to the Board for final approval on April 20, 2004.
- **Amount:** \$28,500,000
- **Project Type:** Refunding and Capital Improvement Bonds
- **IFA Benefits:** Conduit tax-exempt bonds – no direct IFA or State funds at risk
- **IFA Fee:** \$42,750
- **Rating:** The bonds will be insured by FSA and rated "Aaa" by Moodys Investors Service.

ta/h/romeoville2004memo

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
REVISED**

Project: **Village of Romeoville**

STATISTICS

Project Number: L-GO-TE-RE-401	Amount:	\$28,500,000
Type: GO	IFA Staff:	Townsend Albright
Location: Romeoville	Est. fee:	\$42,750

BOARD ACTION

Final Bond Resolution	Staff recommends approval
Conduit Local Government Bonds	No extraordinary conditions
No IFA funds at risk	

PURPOSE

(i) To refund callable maturities of the Village's Series 2001A and 2001B Alternate Revenue Bonds, (ii) to fund road improvements, economic development projects throughout the Village, and a municipal structure, and (iii) fund costs of issuance.

IFA CONTRIBUTION

Local government bonds - no Volume Cap required.

VOTING RECORD

Voting record from Preliminary Bond Resolution on April 20, 2004

Ayes: 10 Nays: 0 Abstentions: 0 Absent: 3 (Leonard, Rendelman, Valenti)
Vacancies: 2

SOURCES AND USES OF FUNDS

Source:	IFA Bonds	<u>\$28,500,000</u>	Uses: Deposit to Escrow	\$15,931,969
			Capital Improvements	12,000,000
			Original Issue Discount	453,031
			Costs of Issuance	<u>115,000</u>
Total		<u>\$28,500,000</u>	Total	<u>\$28,500,000</u>

JOBS

Current employment:	252 FTE	Projected new jobs:	N/A
Jobs retained:	N/A	Construction jobs:	50

MUNICIPAL SUMMARY

Background: The Village of Romeoville (“the Village”) was incorporated in 1895 and is located in Will County. The Village attained home rule status in 2004 when its population exceeded 25,000. The Village Board is composed of the Village President and six trustees who are elected at large for staggered four-year terms.

Description: The Village encompasses approximately 13 square miles and is bordered by the Village of Bolingbrook to the north and the City of Lockport to the southeast. The Village has experienced rapid growth over the past two decades. The 2000 Census population was 21,523, a 50% increase from the 1990 census of 14,101. In 2003, a special census was conducted and established that the population increased 60.0% from 2000, totaling 33,861. The Village’s major employers include (i) Will County C/U/S/D #365U (1,900), (ii) Lockport T/H/S/D # 205 (386), (iii) Ultra Salon Cosmetics Fragrance, Inc., (325), (iv) Lewis University, (320), and (v) Marquette Property Investment, (300).

The Village has several industrial parks including (i) Marquette Industrial Park (323 acres), (ii) Marquette Center and Marquette West Industrial Parks (215 acres), and (iii) Ridgewood Industrial park (110 acres).

Remarks: The Village has a diverse economic base and is located in one of the fastest growing areas of Illinois. The proposed refunding will (i) significantly reduce the Village’s costs of borrowing, and (ii) provide capital for needed improvements.

Financials: Statement of Bonded Indebtedness as of 2/13/04:

		Ratio to		Per Capita
		EAV	Actual	(Current est. 33,861)
Assessed Valuation: 2002	\$ 572,017,019	100.00%	33.33%	\$16,893
Est. Actual Value: 2002	\$1,716,051,057	300.00%	100.00%	\$50,679
Total Direct Bonded Debt	\$ 60,570,000*	10.53%	3.53%	\$ 1,789
Total Overlapping Debt	\$ 63,877,085	11.17%	3.72%	\$ 1,886
Total Dir. and OL Debt	\$ 124,447,085	21.76%	7.25%	\$ 3,675

Discussion: The District’s percentage of taxes collected for collection years 1998/99-2002/03 averaged 99.56%. The Village is a home rule unit, and under the Illinois Constitution of 1970 has no debt limitation. There is no pending or anticipated litigation against the Village, which would be expected to have a material adverse effect on its ability to service its debt.

- Includes the par amount of the proposed bond issue.

FINANCING SUMMARY

Security: Bonds will be insured by FSA and be "Aaa" by Moodys Investors Service
Structure: Serial General Obligation Refunding and Improvement Bonds
Maturity: 25 years

PROJECT SUMMARY

Proceeds of the bond issue will be used to (i) refund the callable maturities of the Village of Romeoville's (Will County) Series 2001A and 2001B Alternate Revenue Bonds, (ii) to fund road improvements, economic development projects throughout the Village, and a municipal structure, and (iii) pay for costs of issuance

Project Costs:	Refunding Bonds	\$15,931,969
	(Deposit to Escrow)	
	Improvements	12,000,000
	Total	<u>\$27,931,969</u>

ECONOMIC DISCLOSURE STATEMENT

Applicant: Village of Romeoville
Project Name: Refunding and Improvement Bonds
Location: 13 Montrose Drive, Romeoville, Will County, Illinois 60446-1329
Organization: Village
State: Illinois
Officials: Fred P. Dewald, Jr. President Marion Gibson, Village Manager
 Kirk Openchoswski, Finance Director, Treasurer *
 Prudence Pukula, Village Clerk
Board of Trustees: Marty Duffels Linda S. Palmiter Dennis Veselsky
 Dr. Edward McCartan Steve Spandonidis Thomas Weinrick, Sr.

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Chapman and Cutler	Chicago, IL	Pat Curtner
Accountant:	McGladry & Pullen, LLP	Mokena, IL	
Bond Counsel:	Chapman and Cutler	Chicago, IL	Pat Curtner
Underwriter:	Griffin, Kubik, Stephens & Thompson	Chicago, IL	Michael Boisvert
Issuer's Counsel:	Charity & Associates, P.C.	Chicago, IL	Alan M. Bell
Trustee:	Amalgamated Bank of Chicago	Chicago, IL	Kristine Schossow
Financial Advisor:	Speer Financial, Inc.	Chicago, IL	Kevin McCanna

LEGISLATIVE DISTRICTS

Congressional: 13, Judy Biggert
State Senate: 43, Lawrence M. "Larry" Walsh
State House: 85, Brent Hassert

Illinois Finance Authority
Memorandum

To: IFA Board of Directors
From: Sharnell Curtis-Martin
Date: August 10, 2004
Re: Overview Memo for City of Harvey
IFA Project #: L-GR-TE-CD-407

Borrower: City of Harvey

Location(s): Harvey, Illinois

Principal Project Contact: Charles Givines, Economic Development Consultant

Board Action Requested: Approval of Initial Resolution

Amount: \$650,000 (not-to-exceed amount)

Project Type: Local Government Alternate Revenue Lease

IFA Benefits:

- Conduit Tax-Exempt Lease
- Interest Savings estimate is to be determined

IFA Fees:

- \$250 Application Fee
- \$1,000 Issuance Fee

Structure/Ratings:

- Direct Purchase by a bank to be determined
- Variable Rate or Fixed Rate Lease to be determined
- 10 year maturity

Recommendation:

- Staff recommends approval

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY**

Project: **City of Harvey**

STATISTICS

Project Number: L-GR-TE-CD-407	Amount:	\$650,000 (not-to-exceed amount)
Type: Local Government	IFA Staff:	Sharnell Curtis-Martin
Location: Harvey, IL	Est. fee:	\$1,000

BOARD ACTION

Preliminary Resolution	Staff recommends approval
Local Government Alternate Revenue Lease	No extraordinary conditions
No IFA funds at risk	

PURPOSE

To construct and install sewers and a lift station.

VOLUME CAP

Local Government leases do not require Volume Cap.

VOTING RECORD

Preliminary resolution; this is the first time this project has been presented to the Board.

SOURCES AND USES OF FUNDS

Sources:	IFA Lease	<u>\$612,000</u>	Uses:	Project Costs	\$600,000
				Issuance Costs	<u>12,000</u>
	Total	<u>\$612,000</u>		Total	<u>\$612,000</u>

JOBS

Current employment:	160	Projected new jobs:	N/A
Jobs retained:	N/A	Construction jobs:	5

MUNICIPAL SUMMARY

Background: The City of Harvey is located in Chicago's south suburbs and borders Dixmoor, Dolton, Homewood, Markham, Riverdale and South Holland in Cook County. Harvey has experienced some financial difficulties in past years under previous administrations and experienced a decline in population. Over the last two years, Harvey has begun to rebuild and pursue economic and community development projects in the city under the new Mayor, Eric Kellogg.

Harvey is a Home Rule community with an aldermanic system of municipal government. Under this system the city is divided into six (6) wards, with each ward represented by an alderman who represents his elected district in the City Council.

Harvey has approximately 30,000 residents. The median home value in Harvey is \$70,500 while the per capita income is approximately \$12,400. Harvey's unemployment rate is approximately 14%.

The City's educational facilities include ten elementary schools, one junior high school and one high school. Harvey also has a police and fire protection districts.

Major employers within Harvey consists of:

Ingalls Hospital	1700 employees
SBC	850 employees
Allied Tube	825 employees
School District 152	500 employees

Major Taxpayers in the City include:

Ingalls Hospital	Hospital
Allied Tube	Manufacturer
McDonald's	Food Service
Fuchs Lubricants	Manufacturer
Fifth Third Bank	Financial Services

Description: This project involves installing sanitary sewers and a lift station service at the 155th & Dixie Highway and 159th & Western Avenue intersections. The City of Harvey has extremely old infrastructure, and a lift station is sorely needed in this area of the city to serves as the collection point for wastewater to be pumped into the treatment plant. The lift station will move the sewage that travels down the main by pumping sewage into the next sections of the system.

The current user mix of Harvey's water and sewer mix is 78% residential with the remaining 22% from commercial, industrial and municipal use. The Village of Harvey provides water to the following nearby communities and receives the below listed amounts in revenues from the service:

Village of Homewood	\$2,094,323
Village of Hazel Crest	958,674
Village of Dixmoor	622,302
Village of Posen	359,363

Remarks: Harvey has several series of bonds outstanding from projects including improving and replacing the City's water system and water meters; road repair and resurfacing and refinancing of those previous issues.

Financials: The City operated at a deficit for the 2003-2004 fiscal year but is currently budgeted for a small surplus in 2004-2005. Information on the City's Statement of Long-Term Bonded Indebtedness is forthcoming.

FINANCING SUMMARY

Security: Alternate Revenue Lease secured by: 1) sales and infrastructure tax on water/sewage bill 2) water and sewer fees 3) The City's General Obligation as back-up security
Structure: Lease Installment Purchase Contract with the interest rate to be determined
Maturity: Ten Years

PROJECT SUMMARY

Bond proceeds will be used to install sanitary sewers and a lift station service at both 155th & Dixie Highway and 159th & Western Avenue intersections in Harvey, (Cook County) Illinois. Project costs are estimated as follows:

Construction and Equipment	<u>\$600,000</u>
Total Project Costs	<u>\$600,000</u>

ECONOMIC DISCLOSURE STATEMENT

Applicant: City of Harvey, 15320 Broadway Avenue, Harvey, IL 60426 (Cook County)
Project name: City of Harvey – West Side Lift Station
Location: 159th & Dixie Highway
Organization: Home-Rule City
State: Illinois
Officials: Mayor: Eric J. Kellogg
Alderman: 1st Ward – Frank Piekarski
2nd Ward – Joseph Wittington
3rd Ward -- Daryl Crudup
4th Ward -- Thomas Dantzler
5th Ward -- Donald Nesbit
6th Ward -- Ronald Waters

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	To Be Determined		
Accountant:	McGladrey & Pullen, LLP	Mokena	
Bond Counsel:	To Be Determined		
Lease Provider:	To Be Determined		
Lease Provider's Counsel:	To Be Determined		
IFA's Counsel:	To Be Determined		
Engineer/General Contractor:	Robinson Engineering	Homewood	Ed Tunelious

LEGISLATIVE DISTRICTS

Congressional: 2 -- Jesse Jackson, Jr.
State Senate: 15 – James T. Meeks
State House: 30 – William Davis

ILLINOIS FINANCE AUTHORITY

Memorandum

To: IFA Board of Directors
From: Steven Trout, Marketer
Date: August 2, 2004
Re: Overview Memo for Merit School of Music
N-NP-TE-CD-413

- **Borrower/Project Name:** Merit School of Music
- **Locations:** Chicago (Cook Co.)
- **Principal Project Contact:** William Wallace, Director of Finance (312) 786-9428
- **Board Action Requested:** Preliminary Bond Resolution
- **Amount:** Not to exceed \$4,000,000
 - **Uses:**
 - Partially finance the acquisition and rehabilitation of a building at 38 S. Peoria Street, Chicago and the acquisition of furniture and equipment.
 - Pay costs of issuance and other professional fees and capitalize interest for one year
- **Project Type:** Not-for-Profit 501(c)(3) Bonds
- **IFA Benefits:**
 - Convey federal tax-exempt status
 - No IFA or State funds at risk
- **IFA Fees:** \$20,000
- **Structure:**
 - 7-Day Variable Rate Demand Bonds (similar bonds are yielding 1.16% as of 7/29/04)
 - 20 year amortization and maturity
 - To be secured by a direct-pay letter of credit from LaSalle National Bank

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY**

Project: Merit School of Music

STATISTICS

Project Number:	N-NP-TE-CD-413	Amount:	\$4,000,000 (not-to-exceed amount)
Type:	Not-for-Profit	IFA Staff:	Steve Trout
Location:	Chicago	Tax ID:	36-3028768
		Est. fee:	\$20,000

BOARD ACTION

Initial Bond Resolution	Staff recommends approval
Conduit 501(c)(3) Bond Financing	
No IFA funds at risk	No Special Conditions

PURPOSE

Partially finance the acquisition, rehabilitation and furnishing of a building at 38 South Peoria Street, Chicago and pay costs of issuance and other professional fees and capitalize interest for one year

IFA CONTRIBUTION

Convey federal tax-exempt status. Volume Cap is not required for 501(c)(3) Bond Financing.

VOTING RECORD

This is the first time that this project has been presented to the IFA Board.

SOURCES AND USES OF FUNDS

Sources:	IFA Bonds	\$4,000,000	Uses:	Project Costs	\$8,294,000
	Government Grants	\$2,000,000		Capitalized Interest	\$226,000
	Foundation Grants	457,070		Costs of Issuance	<u>80,000</u>
	Individual Contributions	2,142,930			
	Total	<u>\$8,600,000</u>		Total	<u>\$8,600,000</u>

JOBS

Current employment:	75	Projected new jobs:	13
Jobs retained:	N/A	Construction jobs:	15 (6 months)

BUSINESS SUMMARY

Background: Merit School of Music ("Merit" or "the School") is an Illinois 501(c)(3) not-for-profit corporation that was founded in April 1979 to provide economically disadvantaged Chicago youth an opportunity to develop musical abilities. The School is recognized internationally for its contributions to young musicians, exceptional programs and extensive scholarship offerings.

Description: Merit offers programs for students of every age and ability. The School strives to involve students early in life and keep them involved through their high school years. Merit's continuum of music education and mentoring-from Project Begin, through the Preparatory Program to the tuition-free Conservatory - offers a consistent support structure throughout student's formative years. Each stage builds on previous training and is designed to gear students toward college.

The School now provides applied music instruction to over 5,000 Chicago area students each year. Students attend from 77 Chicago neighborhoods and more than 40 municipalities in Lake, Cook, DuPage and Will counties. Merit is committed to providing instruction to children who would otherwise not have access to music education. Merit actively reaches out to areas that have traditionally been underserved by youth development programs. Although Merit focuses much of its efforts to towards serving students from economically depressed, inner city neighborhoods, the School attracts students from every social and economic class. Merit's student body for the 2003-4 school year was 46% Latino, 34% African American, 10% Caucasian, 7% Asian, and 3% Native American/Other.

The project will allow Merit to expand its programs. Currently the School turns away students because of lack of instructional space. The new facility will provide additional space for instruction, early childhood music programming and performance space that will be used by students, other musicians and community groups.

Financials: Financial summary prepared from audited financial statements for 2001, 2002 and 2003. Projections for 2004 through 2007 prepared by staff. (Figures in \$000s.)

	<u>Year Ended December 31</u>			<u>Year Ending December 31</u>			
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Income Statement							
Revenues & Support	<u>\$3,258</u>	<u>\$3,941</u>	<u>\$4,000</u>	<u>\$4,120</u>	<u>\$6,486</u>	<u>\$4,079</u>	<u>\$4,164</u>
Change in Net Assets	<u>317</u>	<u>332</u>	<u>480</u>	<u>929</u>	<u>3,176</u>	<u>306</u>	<u>301</u>
Earnings Before Interest							
Deprec. & Amortization	430	446	595	1,050	3,355	1,039	1,064
Balance sheet:							
Current assets	1,271	1,273	1,781	1,838	1,495	1,594	1,621
Net PP&E	519	551	488	1,085	9,006	9,012	9,043
Other Assets	<u>1,783</u>	<u>2,000</u>	<u>2,002</u>	<u>2,270</u>	<u>1,870</u>	<u>1,970</u>	<u>2,095</u>
Total assets	<u>3,573</u>	<u>3,824</u>	<u>4,271</u>	<u>5,193</u>	<u>12,371</u>	<u>12,576</u>	<u>12,759</u>
Current liabilities	200	119	86	79	186	205	227
Long-term Debt	0	0	0	0	3,895	3,775	3,635
Other Long-term Liabilities	0	0	0	0	0	0	0
Net Assets	<u>3,373</u>	<u>3,705</u>	<u>4,185</u>	<u>5,114</u>	<u>8,290</u>	<u>8,596</u>	<u>8,897</u>
Tot Liabs & Net Assets	<u>3,573</u>	<u>3,824</u>	<u>4,271</u>	<u>5,193</u>	<u>12,371</u>	<u>12,576</u>	<u>12,759</u>
Ratios:							
Fixed Charge Coverage	2.91x	3.11x	3.56x	5.39x	14.42x	2.15x	2.10x
Current Ratio	6.35	10.74	20.64	23.24	8.05	7.79	7.16
Days Cash on Hand	82.3	24.0	100.7	117.3	73.4	69.9	69.2
LT Debt/Net Assets	0.00	0.00	0.00	0.00	0.47	0.44	0.41

Discussion: Merit collects revenues from the following sources: contributions from foundations and individuals (48%), fundraising (14%), school contracts (22%), student fees (10%), government grants (3%) and other (3%). Revenues have steadily increased over the period reviewed. The School's high profile board has been able to generate growth in funding from individuals, foundations and government at a time when sluggish economic growth, public budget problems and stock market turbulence have led to cuts in charitable giving and discretionary grant funds. Revenue growth has outpaced growth in expenses, resulting in increasing changes in net assets (similar to "Net Income" for a for-profit organization).

Cash on hand has swelled to 101 days of operating expenses as of June 30, 2003. This amount does not include an additional \$2.0 million in investments in marketable certificates of deposit, corporate notes and federal government securities, with maturities through 2008. Merit has no

long-term debt or bank lines of credit. Merit's lease on its current building expires FY 2007. It may be cancelled upon one year's notice and payment of an \$83,600 cancellation fee. Cashflows have amply covered operating expenses and lease obligations during the period reviewed.

The School began its capital campaign for the new building in March 2002. Collections for the capital campaign totaled \$223,000 in FY 2002 and \$925,000 in FY 2003. As of August 2003, the date of the audited statements, the School had received an additional \$4,400,000 in campaign contributions that were conditioned on the acquisition of a building. These contributions are not recorded as revenue in FY 2003 or FY 2004 because the building has not yet been purchased.

Projections for FY 2004 are based on annualized results of operations through 11 months and balances as of May 31, 2004. To date, the school received an additional \$830,000 in campaign contributions, of which \$223,000 remains outstanding.

The forecast for FY 2005 assumes that the Bonds close on September 1, pay interest at an average rate of 6.25% and amortize over 20 years. Interest is capitalized through July 2005. The project is expected to be completed by July 1, 2005. The forecast assumes that the School collects \$3,000,000 in campaign pledges that were conditioned on acquisition of the building, with the balance to be collected in FY 2006 and FY 2007. Revenues and general expenses are forecast to grow 2% in FY 2005 and FY 2007 and 5% in FY 2006, when the building opens. The forecast assumes that Merit cancels its lease effective July 1, 2005, thereby saving \$261,000 annual expense in FY 2006 and beyond.

FINANCING SUMMARY

Bonds: Tax-exempt 501(c)(3) bonds
 Structure 7-day variable rate demand bonds. Rates for similar bonds, were 1.16% as of 7/29/04.
 Security: The Bond will be secured by a direct pay letter of credit provided by LaSalle Bank.
 Maturity: 20 years

PROJECT SUMMARY

Bond proceeds, together with government and foundation grants and private contributions, will be used to finance the 1) acquisition of a building at 38 S. Peoria, Chicago (Cook County), 2) rehabilitation and improvement of the building, 3) furniture and equipment, including musical instruments, 4) architect, engineering and other professional expenses, 5) capitalized interest and 6) costs of issuance. Project costs are estimated as follows:

Building Acquisition	\$4,700,000
Rehabilitation	1,650,000
Furniture, equipment and musical instruments	1,395,000
Architectural and Engineering	192,000
Legal and Professional	157,000
Contingency	<u>200,000</u>
 Total	 <u>\$8,294,000</u>

ECONOMIC DISCLOSURE STATEMENT

Applicant: Merit School of Music, 47 W. Polk Street, Suite M-4, Chicago, Illinois 60605-2098 (Contact: William Wallace, Director of Finance, Phone: (312) 786-9428 extension 526)
 Project name: Merit School of Music Development Project
 Location: 38 S. Peoria, Chicago (Cook County), IL 60607
 Organization: Illinois 501(c)(3) organization
 Land Owner: Christian Communications of Chicagoland

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Alice Pfaelzer	Member	Executive Director Emeritus	Merit School of Music

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	McDermott, Will & Emery	Chicago, IL	Fred Feinstein
Bond Counsel:	Goldberg Kohn Bell Black Rosenbloom and Moritz, Ltd.	Chicago, IL	Natalia Delgado
Underwriter:	LaSalle Capital Markets	Chicago, IL	Peter Glick
Letter of Credit Bank	LaSalle Bank	Chicago, IL	
Bank Counsel:	To be determined		
Issuer's Counsel:	To be determined		
Bond Trustee:	To be determined		
Accountant	Altschuler, Melvoin & Glasser	Chicago, IL	Simon Lesser

LEGISLATIVE DISTRICTS

Congressional:	7
State Senate:	5
State House:	3

ILLINOIS FINANCE AUTHORITY

Memorandum

To: IFA Board of Directors
From: Kevin Koenigstein
Date: August 10, 2004
Re: Overview Memo for Beginning Farmer Bonds

- **Borrower/Project Name:** Beginning Farmer Bonds
- **Locations:** Throughtout Illinois
- **Board Action Requested:** Preliminary Bond Resolutions/Inducement Resolutions for each attached project
- **Amounts:** amounts up to \$250,000 maximum of new money for each project
- **Project Type: Beginning Farmer Revenue Bonds**
- **IFA Benefits:**
 - **Conduit Tax-Exempt Bonds** – no direct IFA or State funds at risk
 - **New Money Bonds:**
 - convey tax-exempt status
 - will use dedicated 2004 IFA Volume Cap set-aside for Beginning Farmer transactions
- **IFA Fees:**
 - One-time closing fee equal to 1.50% of the bond amount for each project (\$14,865) combined for Preliminary Bond Resolutions, as proposed)
- **Structure/Ratings:**
 - Bonds to be purchased directly as a nonrated investment held until maturity by the Borrower's Bank
 - The Borrower's Bank will be secured by the Borrower's assets, as on a commercial loan
 - Interest rates, terms, and collateral are negotiated between the Borrower and the Participating Bank, just as with any commercial loan
 - Workouts are negotiated directly between each Borrower and Bank, just as on any secured commercial loan

BEGINNING FARMER BOND LOANS
New Projects for Inducement Resolution
August 10, 2004

Project Number: A-FB-TE-CD-434
Borrower(s): Clayton D. and Ashlyn L. Becker
Town: DeKalb
Amount: \$131,040
Use of Funds: Farmland – 56 acres
County: Ogle
Lender/Bond Purchaser: Belvidere National Bank & Trust Co.

Principal shall be paid annually in installments determined pursuant to a thirty year amortization schedule, with the first principal payment due March 1, 2006. Accrued interest shall be paid annually on March 1 of each year.

Interest shall be charged at the rate of 4.35% for the first five years, thereafter adjusted every five years to a rate not to exceed 35 basis points over the 5 year Treasury Bonds as quoted in the Wall Street Journal.

Project Number: A-FB-TE-CD-435
Borrower(s): James Lee and Bonnie May Brewer
Town: Bethany
Amount: \$110,000
Use of Funds: Farmland – 53 acres and some depreciable property
County: Moultrie
Lender/Bond Purchaser: Scott State Bank

Principal shall be paid annually in installments determined pursuant to a twenty year amortization schedule, with the first principal payment due one year from the date of closing. Accrued interest shall be paid annually one year from the date of closing.

Interest shall be charged at the rate of 5.75% for the life of the loan.

Project Number: A-FB-TE-CD-436
Borrower(s): Jason D. Organ
Town: McLeansboro
Amount: \$250,000
Use of Funds: Farmland – 260 acres
County: Hamilton
Lender/Bond Purchaser: Peoples National Bank of McLeansboro

Principal shall be paid annually in installments determined pursuant to a thirty year amortization schedule, with the first principal payment due one year from the date of closing. Accrued interest shall be paid annually.

Interest shall be charged at the rate of 4.25% for the first year, thereafter adjusted every year to a rate not to exceed National Prime as quoted in the Wall Street Journal. The rate change will have a cap of 75 basis points in any one year.

Project Number: A-FB-TE-CD-437
Borrower(s): Jordan Walter
Town: Forrest
Amount: \$250,000
Use of Funds: Farmland – 125 acres
County: Livingston
Lender/Bond Purchaser: Bluestem National Bank

Principal shall be paid annually in installments determined pursuant to a thirty year amortization schedule, with the first principal payment due March 15, 2005. Accrued interest shall be paid annually on March 15 of each year.

Interest shall be charged at the rate of 3.75% for the three years or 4.75% for the first five years, thereafter adjusted annually to a rate not to exceed 90% of the National Prime as quoted in the Wall Street Journal. The bond will have an interest rate ceiling of 6.25% for the life of the loan.

Project Number: A-FB-TE-CD-438
Borrower(s): Jared Walter
Town: Forrest
Amount: \$250,000
Use of Funds: Farmland – 125 acres
County: Livingston
Lender/Bond Purchaser: Bluestem National Bank

Principal shall be paid annually in installments determined pursuant to a thirty year amortization schedule, with the first principal payment due March 15, 2005. Accrued interest shall be paid annually on March 15 of each year.

Interest shall be charged at the rate of 3.75% for the three years or 4.75% for the first five years, thereafter adjusted annually to a rate not to exceed 90% of the National Prime as quoted in the Wall Street Journal. The bond will have an interest rate ceiling of 6.25% for the life of the loan.

ILLINOIS FINANCE AUTHORITY

MEMORANDUM

MEMO TO: IFA Board of Directors
FROM: Townsend S. Albright
DATE: August 10, 2004
RE: Overview Memo for Northwestern University

- **Borrower/Project Name:** Northwestern University
- **Location:** Evanston and Chicago (Cook County)
- **Principal Project Contact:** Ingrid S. Safford, AVP for Finance and Controller
- **Amount:** \$135,000,000
- **Board Action Requested:** Approval of a Final Bond Resolution
- **Project Type:** New money to (i) construct and/or renovate facilities at the University's two campuses, (ii) purchase furniture, fixtures, and equipment, and (iii) fund professional and bond issuance costs.
- **IFA Benefits:** Conduit Tax-Exempt Bonds – no direct IFA or State funds are at risk.
- **IFA Fee:** \$125,000
- **Ratings:** The bonds constitute a general obligation of the University whose short-term debt is rated MIG-1 and P-1, and whose long-term debt is rated S&P "AA+", and Moodys "Aa-1".

ta/h/northwesternunivmemo

ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY

Project: Northwestern University

STATISTICS

Number:	E-PC-TE-CD-408	Amount:	\$155,000,000 (not to exceed)
Type:	501(c)(3) bonds	IFA Staff:	Townsend Albright
Locations:	Evanston, Chicago	Tax ID:	36-2167817
Est. fee:	\$125,000	SIC:	8221

BOARD ACTION

Final Bond Resolution	No Extraordinary conditions
Conduit Not for Profit Bonds	Staff recommends approval
No IFA funds at risk	

PURPOSE

Proceeds will be used to (i) construct and/or renovate facilities at the University's two campuses, (ii) purchase furniture, fixtures, and equipment, and (iii) fund professional and bond issuance costs.

IFA CONTRIBUTION

Volume Cap is not required for 501(c)(3) bonds.

VOTING RECORD

Voting record from the Preliminary Bond Resolution on June 22, 2004:

Ayes: 10 Nays: 0 Absent: 2 (Nesbitt, O'Brien) Abstain: 0
Vacancies: 3

SOURCES AND USES OF FUNDS

Sources:	IFA Bonds	\$135,000,000	Uses:	Project costs	\$560,800,000
	Equity*	<u>427,000,000</u>		Bond issuance costs	<u>1,200,000</u>
	Total	<u>\$562,000,000</u>		Total	<u>\$562,000,000</u>

*The University's unrestricted net assets as of 8/31/03 exceeded \$3.3 billion.

JOBS

Current employment:	2,500	Projected new jobs:	150
Jobs retained:	N/A	Construction jobs:	250 (36 months)

BUSINESS SUMMARY

Background: Northwestern University (the "University," the "Applicant") was founded in 1851 to serve the Northwest Territory, an area that now includes the states of Illinois, Indiana, and Ohio. In 1855 the founders purchased a 379-acre tract of land on the shore of Lake Michigan 12 miles north of Chicago. They established the land and developed then land around it and named the surrounding town Evanston in honor of one of the University's founders, John Evans. The University is an Illinois not-for-profit corporation. The University has two campuses: a 240-acre campus in Evanston and a 25-acre campus in Chicago. A list of the University's Board of Trustees is provided for IFA Board review.

Description: The Applicant is recognized both nationally and internationally for the quality of its educational programs at all levels. The *Princeton Review* in 2003 named the University as providing the best overall academic experience for undergraduates. In April, 2004, U.S. News & World Report ranked the Kellogg School of Management as fifth in its annual survey of the best graduate schools in the nation. Kellogg's Executive MBA program was ranked first. The University employs approximately 2,500 full-time faculty. Faculty members include Nobel and Pulitzer Prize winners and MacArthur Fellowship recipients. In its most recent assessment of doctoral programs, the National Research Council ranked four of the Applicant's programs in the top 10 percent and nine programs in the top 20 percent of private and public universities.

Total fall 2003 opening enrollment of full-time students included (i) 7,804 undergraduate, (ii) 4,529 graduate, (iii) 882 law, and (iv) 700 medicine. Approximately 77.0% of the 2003 enrollment consisted of out-of-state and international students. The University offers scholarships based upon need.

Remarks: The proposed financing will enable the University to continue its quality of education and maintain its status as one of the world's premier universities. The University believes the impact of these projects will be an important contribution to the economy of the State of Illinois.

Financials: Applicant's Audited consolidated statements of financial position for fiscal years August 31, 2001, 2002, and 2003
(Dollars in 000s)

	2001	2002	2003
Income Statement			
Total Income	\$959,399	\$988,477	\$1,054,480
Total Expenses	<u>(1,249,603)</u>	<u>(1,207,847)</u>	<u>(729,632)</u>
Change in Net Assets	<u>(290,204)</u>	<u>(219,370)</u>	<u>324,848</u>
Balance Sheet			
Current Assets	4,072,268	3,864,810	4,154,749
PP&E	753,589	858,240	941,242
Other Assets	<u>104,380</u>	<u>45,325</u>	<u>36,097</u>
Total	<u>4,930,237</u>	<u>4,768,375</u>	<u>5,132,088</u>
Current Liabilities	347,611	369,099	401,281
Other LT Liabilities	43,054	41,689	41,102
Debt	409,308	446,693	453,963
Net Assets	<u>4,130,264</u>	<u>3,910,894</u>	<u>4,235,742</u>
Total	<u>\$4,930,237</u>	<u>\$4,768,375</u>	<u>\$5,132,088</u>
Ratios:			
Debt coverage	N/A	N/A	21.47x
Current Ratio	11.72	10.47	10.35
Debt/Net Assets	0.10	0.11	0.11

FINANCING SUMMARY

Security: University revenues. The bonds constitute a general obligation of the University whose short-term debt is rated MIG-1 and P-1; and whose long-term debt is rated S&P "AA+", and Moodys "Aa-1".

Structure: Multi-Mode Seven-day weekly floating rate bonds.

Maturity: 35 years

Note: The University has approximately \$100 million of taxable commercial paper outstanding for working capital.

PROJECT SUMMARY

Proceeds will be used to (i) construct and/or renovate the Lurie Medical Research Center Phase 1 & 2, Pancoe Evanston Life Sciences Building Phase 2 and 3, Olson Pavilion, Ward/Morton/Searle Center, Ford Engineering Design Center, Co-generation facilities – both campuses, Central Utility Plant, Residence hall ADA improvements, Norris Student Center, Erie II Garage, Englehart Garage, Annie Mae Swift facility, Music Building, Proteomics, Harris facility, Kresge facility, Organic Chemistry teaching laboratory, Evanston campus pedestrian mall, Abbott Hall, and Lakeshore facility, which as a group are located at 619 Clark Street, Evanston, Cook County and Chicago, Cook County, Illinois, respectively, (ii) purchase furniture fixtures and equipment, and (iii) fund professional and bond issuance costs.

Project Costs:	Renovation/equipment	<u>\$560,800,000</u>
	Total	<u>\$560,800,000</u>

ECONOMIC DISCLOSURE STATEMENT

Applicant: Northwestern University

Project name: Northwestern University Capital Projects, Series 2004

Location: 619 Clark Street, Evanston, Cook County, Illinois and Chicago, Cook County, Illinois 60616

Organization: 501(c) (3) Corporation

State: Illinois

Board: List attached for IFA Board review

PROFESSIONAL & FINANCIAL

Counsel:	Schiff Hardin LLP	Chicago, IL	Todd Freer
Accountant:	Deloitte & Touche LLP	Chicago, IL	
Bond Counsel:	Chapman and Cutler, LLP	Chicago, IL	Jim Luebchow
Issuer's Counsel	TBD		
Underwriter/	J.P. Morgan Securities, Inc.	Chicago, IL	Kenneth A. Kerzner
Placement Agents:	UBS Financial Services, Inc.	Chicago, IL	Lorri DuPont
Underwriter's Counsel:	Jones Day	Chicago, IL	Daniel J. Bacastow
Financial Advisor:	Legg Mason Wood Walker, Inc.	Chicago, IL	John H. Peterson
Trustee:	Wells Fargo Bank, NA	Chicago, IL	Patricia B. Martirano
Architect:	TBD		
General Contractor:	TBD		

LEGISLATIVE DISTRICTS

Congressional: 09, Janice D. Schakowsky; 07, Danny K. Davis

State Senate: 09, Jeffrey M. Schoenberg; 07, Carol Ronen

State House: 18, Julie Ramos; 05, Kenneth Dunkin

Northwestern University
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Illinois Finance Authority
Memorandum

To: IFA Board of Directors
From: Sharnell Curtis-Martin
Date: August 10, 2004
Re: Overview Memo for CFC International, Inc.
IFA Project #: I-ID-TE-CD-401

Borrower: CFC International, Inc.

Location(s): Chicago Heights

Principal Project Contact: Mr. Dennis Lakomy, Chief Financial Officer

Board Action Requested: Final Bond Resolution

Amount: \$2,000,000 (not-to-exceed amount)

Project Type: Conduit Industrial Revenue Bond

IFA Benefits:

- Conduit Tax-Exempt Bonds
- The estimated interest savings is approximately \$266,000

IFA Fees:

- Application Fee \$1,500
- Bond Issuance Fee is \$13,100

Structure/Ratings:

- Direct Pay Letter of Credit provided by LaSalle Bank, N.A.
- Variable Rate Demand Bonds
- 20 year maturity
- Rating of A+/A-1 by Standard & Poors

Recommendation:

- Staff recommends approval

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY**

Deal: CFC International, Inc.

STATISTICS

Deal Number:	I-ID-TE-CD-401	Amount:	\$2,000,000 (not-to-exceed amount)
Type:	Industrial Revenue Bonds	PA:	Sharnell Curtis-Martin
Location:	Chicago Heights	Tax ID:	36-3434526
SIC Code:	2759	Est. fee:	\$13,100

BOARD ACTION

Final Bond Resolution	Staff recommends approval
Conduit Industrial Revenue Bonds	No extraordinary conditions
No IFA funds at risk	

PURPOSE

Bond proceeds will be used to finance the purchase of a building, the purchase of machinery and equipment and to pay certain bond issuance costs.

VOLUME CAP

The Applicant has been awarded \$2 million in 2004 IFA Volume Cap.

VOTING RECORD

Preliminary Bond Resolution: February 17, 2004

Ayes:	8	
Nays:	0	
Abstentions:	0	
Absent:	1	(Valenti)
Vacancies:	6	

SOURCES AND USES OF FUNDS

Sources:	IFA Bond	<u>\$2,000,000</u>	Uses:	Project Costs	\$1,960,000
				Bond Issuance Costs	<u>40,000</u>
	Total	<u>\$2,000,000</u>		Total	<u>\$2,000,000</u>

JOBS

Current employment: 357 (245 Illinois jobs/ 112 European jobs)
Jobs retained: N/A

Projected new jobs: 30 (Illinois)
Construction jobs: N/A

BUSINESS SUMMARY

Background: CFC International, Inc. ("CFC" or the "Company") was incorporated as a Delaware Corporation in April 1985. The day to day operations of CFC are managed by Gregory Jehlik, President and Chief Operating Officer. The new facility being purchased is adjacent to CFC's existing facility.

The Company has five facilities located in Chicago Heights, IL; Countryside, IL; Dartford, England; Paris, France and Goppingen, Germany.

Description: CFC formulates, manufactures and sells chemically complex, multi-layered functional coatings. The Company produces five primary types of coated products: *holographic products* such as authentication seals used principally to certify and protect the authenticity of proprietary products and documents susceptible to counterfeiting; *printed products* such as simulated wood grain patterns for furniture, manufactured homes and home interiors; *pharmaceutical pigmented coatings* used as heat transfer printing approved by the FDA for pharmaceutical products such as intravenous solution bags; *security products* such as magnetic stripes and signature panels for credit cards; and *specialty pigmented and simulated metal coatings* used on products such as beverage cases and cosmetics.

Remarks: CFC is a publicly traded company. Their major customers consist of: Baxter Medical, Intel, Unifoil, Abbott Labs and Sauder Woodworking.

Financials: Audited Financial Statements 12/31/01 – 12/31/03
Financial Projections are not required for publicly traded companies.

	<u>Year Ended Dec 31</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
	(Dollars in 000's)		
Income statement:			
Sales	\$61,995	\$61,877	\$62,787
Net income	(74)	2,278	(162)
*EBITDA	5,420	8,445	4,865
Balance sheet:			
Current assets	\$23,762	\$27,113	\$30,316
PP&E	24,793	25,215	28,117
Other assets	<u>6,642</u>	<u>6,278</u>	<u>7,081</u>
Total assets	<u>55,197</u>	<u>58,606</u>	<u>65,514</u>
Current liabilities	10,998	14,935	19,791
Non Current liabilities	21,557	17,302	17,794
Equity	<u>22,642</u>	<u>26,369</u>	<u>27,929</u>
Total liabilities/equity	<u>\$55,197</u>	<u>\$58,606</u>	<u>\$64,514</u>
Ratios:			
Debt coverage	1.07x	1.11x	1.05x
Current ratio	2.16	1.82	1.56
Debt/equity	1.07	0.90	0.86

*Earnings Before Interest Taxes Depreciation and Amortization

Discussion: In 2001, CFC expensed an additional \$700,000 in R&D on new security product technology. In October 2003, CFC's major competitor announced they were shutting down their manufacturing facility on January 31, 2004 and no longer accepting orders as of November 15, 2003. CFC has attempted to accommodate the increased demand as a result of the new customers from its former competitor. In order to serve these new customers, CFC had an unusually high level of salary expense due to mandatory overtime in November and December 2003. Additionally, CFC has incurred additional expenses associated with hiring and training new staff. CFC will hire 30 new permanent employees to accommodate the expected increase in demand over the next two years.

FINANCING SUMMARY

Security: Direct Pay Letter of Credit from LaSalle Bank, N.A.
 Structure: Weekly Floater Rate
 Maturity: 20 Years

PROJECT SUMMARY

Bond proceeds will be used to finance the acquisition of 5.7 acres of land and a 58,000 square foot manufacturing facility located at 385 East Joe Orr Road in Chicago Heights, IL (Cook County), the acquisition of machinery and equipment and to pay certain costs of issuance. Project costs are estimated as follows:

Building Acquisition	\$1,400,000
Land	400,000
Machinery and Equipment	<u>160,000</u>
Total Project Costs	<u>\$1,960,000</u>

ECONOMIC DISCLOSURE STATEMENT

Applicant:	CFC International Inc. 500 State Street, Chicago Heights, IL 60411 (Cook County)		
Project name:	CFC International New Building Project		
Location:	385 East Joe Orr Road, Chicago Heights, IL 60411		
Organization:	Corporation		
State:	Delaware		
Ownership:	Roger F. Hruby	54.7%	
	Royce & Associates	8.7%	
	Wellington Management Co., LLP	8.1%	
	Dennis W. Lakomy	7.4%	
	William G. Brown	4.0%	
	Various other individuals owning less than 1% interest	17.10%	
Land Sellers:	Chroma Injectacolor Systems		
	Ownership: Robert D. Swain	23.80%	Preston B. Heller, Jr. 18.84%
	Herbert J. Wanderer	3.62%	Gary G. Bryan 2.90%
	Susan Faurot	8.39%	Stuart D. Swain 12.74%
	Alexander Henry Faurot Trust	2.90%	Margaret S. Bogle 11.29%
	William Stuart Faurot Trust	2.90%	Katherine S. Bogle 2.90%
	Peter A. Bogle, Jr.	2.90%	Toni Swain 1.31%
	Peter A. Bogle	1.31%	Sandy Faurot 1.31%
	Keelan Duncan Swain	2.90%	

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Bell Boyd & Lloyd	Chicago	William S. Price
Accountant:	Price Waterhouse Coopers	Chicago	Dean Beckas
Bond Counsel:	Chapman & Cutler	Chicago	Chuck Jarik
LOC Bank:	LaSalle Bank, N.A.	Chicago	Michael Kohnen
LOC Bank's Counsel:	McGuire Woods	Chicago	Donald Ensing
Underwriter:	LaSalle Capital Markets	Chicago	Peter Glick
Underwriter's Counsel:	Holland & Knight	Chicago	Nina Fain
Issuer's Counsel:	Pugh Jones Johnson & Quandt	Chicago	Scott Bremer
Trustee:	LaSalle Bank, N.A.	Chicago	Erik Benson
Rating Agency:	Standard & Poor's	New York	Mark Goldenberg
Financial Advisor:	Ernst & Young	Chicago	Joseph Pilewski

LEGISLATIVE DISTRICTS

Congressional: 2 – Jesse L. Jackson, Jr.
State Senate: 40 – Debbie DeFrancesco Halvorson
State House: 80 – George Scully
City Clerk: Ms. Ethel Taylor, 1601 Chicago Road, Chicago Heights, IL 60411

ILLINOIS FINANCE AUTHORITY

Memorandum

To: IFA Board of Directors

From: Rich Frampton

Date: August 10, 2004

Re: Overview Memo for Freeport Economic Development Foundation, Inc.
(Freeport/Stephenson County Visitors Center Project)
B-LL-NP-TX-412

- **Borrower/Project Name:** Freeport Economic Development Foundation, Inc., (“Freeport EDF”) a 501(c)(3) corporation
(Freeport/Stephenson County Visitors Center Project)
- **Tenant:** Stephenson County Convention and Visitors Bureau, Inc. (the “CVB”) , a 501(c)(6) corporation (funded via county-wide Hotel/Motel Tax Revenues)
- **Location:** Freeport (Stephenson County)
- **Principal Project Contact:** Mr. Robert J. Skurla, Executive Director
- **Board Action Requested:** Participation Loan Resolution
- **Amount:** not to exceed \$250,000
 - Uses:
 - Permanent take-out financing for a new Visitors Center facility on the east side of the City of Freeport, adjacent to westbound US 20
 - Facility will provide facilities similar to an Interstate Highway Rest Area, including a staffed information desk. The offices of the Stephenson County Convention and Visitors Bureau, Inc. will relocate from Downtown Freeport to the new facility.
- **Project Type:** Participation Loan (since a 501(c)(3) not-for-profit Borrower), the Loan will be funded from IFA’s Credit Enhancement Development Fund
- **IFA Benefits:**
 - IFA will purchase a \$250,000 Senior Participation in a \$500,000 Senior Loan originated by the State Bank of Freeport
 - The proposed State Bank of Freeport loan will bear an interest rate of 5.50% over an initial 5 year term – accordingly, IFA’s Participation will be priced at 4.00% over the initial 5 year term, thereby resulting in a blended rate to the Freeport EDF of 4.75% over the initial 5 year term.

- **IFA Fees:**
 - Assumes a 2.5% spread over IFA CD investment during year one: \$6,250

- **Description of Ownership Structure/Terms:**
 - The Freeport Economic Development Foundation, Inc. (the “Borrower/Obligor”) will lease the subject facilities to the Stephenson County Convention and Visitors Bureau, Inc. (the “Tenant”) for a 20-year term.
 - The State Bank of Freeport will finance over an initial term of 5 years, extendable in 5-year increments, for up to 20 years maximum
 - 20-year amortization

- **Description of State Bank of Freeport/IFA Collateral:**
 - Shared first mortgage and first security interest on the subject property
 - Assignment of Rents and Leases on the underlying 20-year lease between the Freeport Area Economic Development Foundation, Inc. and the Stephenson County Convention and Visitors Bureau, Inc.

- **Principal Source of Repayment:**
 - **Although the Freeport EDF will be the Borrower, the principal source of funding will be dedicated countywide Hotel/Motel Taxes received the proposed tenant, the Stephenson County Convention and Visitors Bureau, Inc. (“CVB”)**
 - The Stephenson County Convention and Visitors Bureau, Inc. is primarily funded with proceeds of a 3% Hotel/Motel Tax collected by lodging facilities in Freeport, Lena, and unincorporated Stephenson County. These Taxes Revenues have averaged approximately \$95,000 per annum over the past 3 years.
 - *As a pre-condition to closing this transaction, the area Hotel/Motel Tax must increase by 2%, from 3% to 5%. Accordingly, Hotel/Motel Tax collections are expected to increase by approximately 67% (assuming no impact on occupancy) beginning in 2005 to approximately \$152,000 per annum (using 2003 Hotel/Motel Tax Revenues of \$91,000, as a baseline). The Bank is requiring that the new 2% of incremental taxes be dedicated to repayment of the mortgage payment for the coterminous with the underlying 20-year lease.*
 - *Scheduled annual payments pursuant to the Lease total \$40,000 per annum.*
 - *Proposed annual debt service payments on the Bank/IFA Loan are approximately \$39,000 per annum.*

- **Recommendations/Conditions:**
 - Staff recommends approval of a Participation Loan Resolution in an amount not to exceed \$250,000 pursuant to the extraordinary conditions noted on Page 1 of the accompanying report.

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY**

**Project: Freeport Area Economic Development Foundation, Inc.
(Freeport/Stephenson County Visitors Center Project)**

STATISTICS

Project Number:	B-LL-NP-TX-412	Amount:	\$250,000
Type:	PL (Funded from IFA's Credit Enhancement Development Fund)	IFA Staff:	Rich Frampton
Location:	Freeport	Tax ID:	36-3280411
SIC Code:	8641	Est. 1 st Yr. Spread:	\$6,250

BOARD ACTION

Final Participation Loan Resolution
\$250,000 of IFA funds at risk

Staff recommends approval subject to the following Extraordinary Conditions:

IFA Participation of \$250,000 in a \$500,000 State Bank of Freeport (the "Bank") Loan subject to the Applicant satisfying the following terms and conditions set forth in the Bank's loan commitment:

1. Minimum as-if completed appraisal on subject property in an amount not less than \$625,000.
2. Approval of an increase in the City of Freeport/Village of Lena/ Stephenson County Hotel/Motel Tax from 3% to 5% with the 2% increase dedicated by pertinent municipal ordinances to the Stephenson County CVB. [Accordingly, the incremental revenue stream (estimated at approximately \$61,000 per annum) will be dedicated to service the mortgage payment on the underlying Bank/IFA Loan (payments of approximately \$39,000 per annum).]
3. All future contributions to the Visitor Center Building Fund must be applied to reduce the principal balance on the Bank/IFA Loan. To the extent there are prepayments, the Bank and IFA loans shall be reduced on a dollar-for-dollar (i.e., pro rata) basis.

PURPOSE

Construction of a new Freeport/Stephenson County Visitors Center, just east of the US Bypass 20/ US Business 20 interchange on the east side of Freeport.

IFA CONTRIBUTION

IFA will apply \$250,000 from IFA's Credit Enhancement Development Fund to purchase a 50% loan participation in a \$500,000 senior mortgage loan by the State Bank of Freeport.

VOTING RECORD

This is the first time this project has been presented to the IFA Board.

SOURCES AND USES OF FUNDS

Sources:	*State Bank of Freeport/ IFA Participation Loan	\$500,000	Uses:	Project costs	\$631,300
	Cash Equity	<u>150,000</u>		Soft/finance costs	<u>18,700</u>
	Total	<u>\$650,000</u>		Total	<u>\$650,000</u>

**IFA will purchase a \$250,000 participation in a \$500,000 senior bank loan originated by the State Bank of Freeport.*

The Freeport EDF will provide cash equity of \$150,000 at closing, generated from existing cash balances, pledges, and fundraising.

JOBS

Current employment:	2	Projected new jobs:	1.5 FTE's
Jobs retained:	0	Construction jobs:	15 (4 mo.'s)

BUSINESS SUMMARY

Background: The Freeport Area Economic Development Foundation (the "Foundation" or the "Borrower/Obligor") is an Illinois 501(c)(3) corporation established in 1984. The Foundation is governed by a 30 member Board of Directors.

The Foundation will be borrowing on behalf of the Stephenson County Convention & Visitors Bureau (the "CVB" or the "Tenant"). The CVB is an Illinois 501(c)(6) organization incorporated in 1991 to promote the growth of the tourism industry in Stephenson County.

Listings of the respective Boards of the Foundation and the CVB are attached to this report.

Borrower

Description: The Foundation's mission is to promote business development in Freeport, Stephenson County, and the Northwest Illinois area. The Foundation's efforts focus on the retention and creation of primary employment, as well as serving the service and retail markets. The Foundation works collaboratively with various local government units in Stephenson County and units of state government to achieve its objectives.

Tenant

Description: The Stephenson County Convention and Visitors Bureau will be the sole tenant of the proposed building, which will be located on the east side of Freeport, just east of the Bypass US 20/Business US 20 interchange. The proposed facility will serve as the Freeport/Stephenson County Visitors Center. The purpose of the Visitors Center will be to serve as the an entry point to promote Freeport, Stephenson County, and the surrounding area as a location for recreation, tourism, commercial, industrial, and residential and retirement opportunities, in order to encourage the economic development of the region.

The CVB is primarily funded with Hotel/Motel Tax Revenues pursuant to Freeport City Ordinance, Stephenson County Ordinance, and Village of Lena Ordinance.

These Hotel/Motel Tax Revenues will provide the source of funding for the CVB to cover its rental payment obligations to the Freeport Area Economic Development Foundation. The CVB is current paying approximately \$5,000 per annum to lease space in downtown Freeport. These rent payments will be diverted to cover rental payments to the Foundation upon completion of the Visitors Center.

Facility

Description: The proposed 4,600 SF facility will be located on an approximately 1.2 acre site, at the northwest corner of U.S. Hwy. 20 and Browns Mills Road (and adjacent to westbound traffic). The Visitors Center will be located on the east side of Freeport, just east of the US Bypass 20/US Business 20 interchange (and the Kelly Springfield Tire Company manufacturing plant).

The Visitors Center will be similar to high amenity interstate "Rest Areas", with restrooms, vending machines, an ATM machine, in addition to a staffed information desk and kiosks with

brochures, maps, and locators regarding hotels, restaurants, shopping, businesses, housing, health care, and recreational facilities in the area. Access from eastbound US 20 will be provided at Browns Mill Road.

Comments: The Freeport Area Economic Development Foundation referred this project to IFA. The Executive Director of the Foundation, Mr. Robert J. Skurla, has a longstanding relationship with IFA (IDFA), including referring several loan projects to IDFA and helping IDFA establish a successful Volume Cap partnership with the South Suburban Mayors and Managers Association in 1998 while he served as Executive Director of the Chicago Southland Development, Inc.

Financials: Audited financial statements Freeport Area Economic Development Foundation, Inc. for 2001-2003. Projected financial statements 2004-2006. Historical and Projected Hotel/Motel Tax Revenues based on 3% and 5% Tax Rates.

	<u>Year Ended December 31</u>			<u>Year Ending December 31</u>		
	2001	2002	2003	2004	2005	2006
	(Dollars in 000's)			(Dollars in 000's)		
Income statement:						
Sales	\$261	\$245	\$276	\$242	\$295	\$303
Net income	14	(26)	41	1	3	4
Balance sheet:						
Current assets	200	169	233	95	94	104
PP&E	119	119	93	732	720	698
Other assets	10	10	15	15	15	15
Total assets	329	298	341	842	829	817
Current liabilities	129	125	127	143	143	143
Debt	0	0	0	484	468	451
Other LT Liab.	0	0	0	0	0	0
Equity	200	173	214	215	218	223
Total Liab/equity	329	298	341	842	829	817
Ratios:						
Debt/Fixed Ob. Cov.	2.36x	(0.00x)	**9.40x	1.40x	1.20x	1.24x
Current ratio	1.55	1.35	1.83	0.67	0.66	0.72
Debt/equity	N/A	N/A	N/A	2.33	2.22	2.10

**Reflected one-time gain of \$57,000 from asset sale

Analysis of Dedicated 2% Incremental Cash Flow from Stephenson County Convention and Visitors Bureau, Inc. Hotel/Motel Tax (i.e., historical rate of 3%; new rate of 5% beginning in 2005):

	<u>Year Ended December 31</u>			<u>Year Ending December 31</u>		
	2001	2002	2003	2004	2005	2006
Hotel/Motel Tax Revenues:	92	104	91	91	152	152
<i>Dedicated Incremental Tax Revenue per Bank for Debt Service:</i>					61	61
<i>Proposed Debt Service Pmt.</i>					39	39
<i>Loan payment coverage:</i>					1.56x	1.56x

Discussion: Although the Freeport Area Economic Development Foundation will be the Borrower and Obligor for this financing, lease payments from the Stephenson County Convention and Visitors Bureau (CVB) represent the principal source of repayment for this loan.

The CVB's primary source of funding is Hotel/Motel Tax Revenue from lodging facilities located in the City of Freeport, the Village of Lena, and unincorporated Stephenson County, and the Village of Lena. There are 475 rooms available countywide. The average weeknight room rate is approximately \$63 according to the CVB.

Annual Hotel/Motel Tax Revenues have averaged \$95,000 per annum over the last three years at the current 3% tax rate. The proposed lease payments are approximately \$39,000 per annum for 20 years.

Concurrent with this project, the countywide Hotel/Motel Tax will increase from 3% to 5%. Based on 2003 Hotel/Motel Tax Revenues of approximately \$91,000 (which is less than the 3-year average), annual Hotel/Motel Tax revenues should increase to approximately \$152,000 based on historical occupancy rates.

An additional source of cash flow will be CVB existing \$3,000 annual lease payment for the lease of a portion of a commercial building located on US 20 west of Freeport. These lease payments will be diverted to the new facility upon relocation. Hence, the CVB's proposed net lease payments will only increase by approximately \$36,000 per annum upon relocation.

Consequently, the combined impact of the (1) Hotel/Motel Tax Rate revenue increase (\$61,000) and (2) the diversion of existing lease payments at the new facility (\$3,000) will provide approximately \$64,000 of cash flow to cover the proposed \$38,000 lease payment obligation to the Foundation for the State Bank of Freeport/IFA loan. It appears that these cash flows will also be sufficient to cover employee expenses for 1.5 FTE's (i.e., \$32,000) at the Visitors Center (to be all part-time, hourly employees supplemented with volunteers).

Collateral
 Analysis :

The State Bank of Freeport/IFA Loan will be secured by a first mortgage on the subject property and an assignment of rents and leases pursuant to the \$40,000 annual rental payment (the actual loan payments will be approximately \$39,000)

The State Bank of Freeport is requiring an "as-if completed" appraisal on the subject property as a pre-condition to closing. The minimum appraised value of the property must be not less than \$625,000.

Proposed State Bank of Freeport/IFA Participation Loan:	\$500,000
Minimum required Bank appraised real estate value	
<u>(pre-closing Condition – excludes M&E):</u>	\$625,000
Proposed Loan-to-Value Ratio on Bank/IFA Loan:	80.0%

Based on the proposed \$500,000 State Bank of Freeport/IFA Participation Loan, the proposed loan represents 80% of appraised value (which is somewhat high for a special purpose facility). Nevertheless, given the strong and relatively stable dedicated cash flow from the CVB's Hotel/Motel Tax Revenues, this project has a more stable and predictable source of cash flow than most IFA loan projects. The stability of these cash flows compensates for the relatively high loan-to-value ratio to be advanced for the subject property.

FINANCING SUMMARY

Bank Security: The Bank and IFA will be jointly secured by the following: (1) shared first mortgage on the subject real estate; (2) Collateral Assignment of Rents and Leases on the underlying 20-year lease between the Freeport Area Economic Development Foundation and the Stephenson County Convention and Visitors Bureau; and (3) the implicit Corporate Guarantee of the Borrower.

Structure: \$500,000 Term Loan from the State Bank of Freeport with a \$250,000 participation interest purchased by IFA. The Bank and IFA will share a *pro rata* security interest in the project assets.

Maturity: Permanent Bank loan: Five (5) year initial term with provision to extend for additional three additional (5) year terms (with IFA Participation Loan extended for one additional 5 year term, thereby providing an IFA participation in the Bank Loan for up to 10 years). Final maturity date of Bank Loan if extended to maximum maturity: 20 years.

Amortization: 20 years.

Interest Rate: Bank/IFA Loan will be priced initially at a fixed rate reset after the initial term of 5 years. The Bank/IFA Loans will be repriced at an interest rate determined by the Bank according to the Loan Agreement with the Freeport EDF. The current estimated interest rate on the State Bank of Freeport's Loan will be 5.50% for the first 5 years. Accordingly, IFA's \$250,000 Participation will be priced at 4.00% fixed for the first five years, thereby resulting in an estimated blended rate of 4.75% on the Bank/IFA mortgage loan for the initial five year term.

PROJECT SUMMARY

Loan proceeds will be used to construct and provide permanent financing for the acquisition of approximately 1.18 acres of land, construction and equipping of an approximately 4,600 SF visitors center with parking to accommodate approximately 55-60 passenger vehicles thereon (plus 4 semi-trailers), related site improvements thereon located near the NW corner of Browns Mill Road and US Highway 20, Freeport (Stephenson County), Illinois 61032.

The Obligor on the proposed loan will be the Freeport Area Economic Development Foundation, Inc.. The Foundation will lease the subject facility to the Stephenson County Convention & Visitors Bureau, Inc.

Estimated project costs are as follows:

Land:	\$7,400
Building & Improvements:	613,500
Equipment/Furnishings:	10,400
Total	<u>\$631,300</u>

ECONOMIC DISCLOSURE STATEMENT

Applicant/Obligor: Freeport Area Economic Development Foundation; <http://www.freeport-il-econ-dev.com/>
Contact: Mr. Robert J. Skurla, Executive Director, Freeport Area Economic Development Foundation, 26 S. Galena Avenue, Freeport, IL 61032; Tel.: 815-233-1350; e-mail: bskurla@aeroinc.net

Tenant: Stephenson County Convention & Visitors Bureau; <http://www.stephenson-county-il.org/>
Contact: Ms. Connie Sorn, Executive Director, Stephenson County Convention and Visitors Bureau, 2047 AYP Road, Freeport, IL 61032; Tel.: 815-233-1357; e-mail: stephcvb@aeroinc.net

Project name: Freeport/Stephenson County Visitors Center
Location: NW corner of Browns Mill Road and US Highway 20, Freeport (Stephenson County), Illinois 61032

	Obligor:	Tenant:
Organization:	Freeport Area EDF 501(c)(3) corporation	Stephenson County Convention & Visitors Bureau 501(c)(6) corporation
State:	Illinois	Illinois
Board of Directors:	Attached	Attached
Current Owner of Subject Real Estate:	Illinois Department of Transportation	

PROFESSIONAL & FINANCIAL

Counsel – Obligor:	Daniel G. Fishburn	Freeport, IL	Dan Fishburn
Counsel – CVB:	To be determined		
Accountant – Obligor:	Clifton Gunderson LLP	Sterling, IL	
Accountant – CVB:	Lindgren, Callahan, Van Osdol Co., Ltd.	Freeport, IL	
Bank:	State Bank of Freeport	Freeport, IL	Doug Cross
Bank Counsel:	To be determined		
Architect:	Christopher Fye & Associates	Freeport, IL	
General Contractor:	Chad Chahoon	Orangeville, IL	Chad Chahoon
Appraiser:	John P. Hill & Associates	Freeport, IL	
IFA Counsel:	To be determined		

LEGISLATIVE DISTRICTS

Congressional:	16 Donald A. Manzullo
State Senate:	45 Todd Sieben
State House:	89 Jim Sacia

Freeport Area Economic Development Foundation, Inc.

Board of Directors:

John Blum, Chairman

Stephenson County Board
1724 W. Stephenson Street
Freeport, Il. 61032
Phone: (815) 235-1129
Fax: (815) 297-0601

Jim Cichock, Deputy Director

Rockford Aera Council 100
515 N. Court St.
Rockford, IL 61110-0247
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Fax: (815) 987-8129

Mike Clark, Finance Committee Chair

City of Freeport
230 W. Stephenson St.
Freeport, Il. 61032
Phone: (815) 233-1027

Dr. Ronald Field, President

Highland Community College
2998 W. Pearl City Rd.
Freeport, IL 61032
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Jim Fox, Public Affairs Director

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Doug Freidag, CPA CFP CPBC

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Jim Fritz, President

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Freeport Area Economic Development Foundation – List of Board Members
Page 2

Martha Furst, President & CEO

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120 E. Clark St.
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www.mcness.com
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Fax: (815) 232-9765

Jim Graham, Economic Development

Nicor Gas
47 N. Mernitz Ave.
Freeport, Il. 61032
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Fax: (815) 233-3345

Kim Grimes, Executive Director

Freeport Area Chamber of Commerce
26 S. Galena Ave.
Freeport, Il. 61032
www.freeportilchamber.com
Phone: (815) 233-1350
Fax: (815) 235-4038

Mick Gronewold, P.E.

Fehr - Graham & Associates
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Freeport Area Economic Development Foundation – List of Board Members
Page 3

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United Water Services
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Freeport Area Economic Development Foundation – List of Board Members
Page 4

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Executive Director(ex officio)

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STEPHENSON COUNTY CONVENTION AND VISITORS BUREAU
BOARD OF DIRECTORS - 2004

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Term Expires: 12/31/05

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ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY

Deal: **ZelleRx Corporation**
600 South Hoyne Street. Chicago, Illinois 60612



STATISTICS

Transaction Number: V-TD-406 Amount: \$300,000
Type: Venture Capital IFA Staff: Christopher Vandenberg
Locations: Chicago

BOARD ACTION

Voting Record: This is the first time this project has been presented to the IFA Board of Directors. The Venture Capital Sub-Committee will meet prior to the Board meeting to discuss this transaction.
IFA Staff: Recommend approval
Illinois VENTURES: Recommended to IFA
IFA Funds at Risk? YES: NO: Amount: \$300,000

JOBS

Current Employment: 1 Projected new jobs: 14
Jobs Retained: N/A Construction jobs: N/A

SUMMARY

ZelleRx Corporation is a biopharmaceutical company developing cancer treatment products based on a proprietary natural killer (NK) cell line, NK-92. NK cells selectively kill cells that they identify as cancerous or virally infected while leaving normal cells untouched. The Company has identified universal and targeted candidates based on the NK-92 cell line for use as both primary and adjuvant cancer therapies.

The cancer market currently is a \$15 billion industry and is projected to grow to \$25 billion by 2005. Cellular therapies currently make up \$1.6 billion of the market and are projected to grow to \$2.2 billion in 2005. ZelleRx's initial products will be adjuvant therapies used to eliminate recurrent cancers. Initial focus will be on renal and skin cancers, which have approximately 31,800 and 53,600 new cases each year, respectively¹.

The NK-92 cell line does not contain the markers that identify "self" vs. "non-self." This means that it can be used in any patient without the troubles of an immune response by the body. ZelleRx's first product, ZRx101, is a universal therapy that in pre-clinical studies has shown to be effective at killing a broad scope of cancers. The Company has transferred the investigational new drug (IND) application from Rush and is currently completing its Phase I clinical trials for renal and skin cancers at the University of Pittsburgh Cancer Institute (UPCI). To date, 25 patients have been treated, showing anecdotal evidence that NK-92 cells function in the patient's body and substantially reduce the size of tumors. ZelleRx also has two other therapeutic candidates, ZRx102 and ZRx103 which are based on variants of the universal NK-92 cell line.

ZelleRx is raising \$600,000 in convertible Promissory Notes, lead by Illinois VENTURES. The funds will be used to complete the clinical development plan, complete the lease of lab space in Chicago, continue intellectual property development, begin search for new executive management, resume Phase I clinical trials at UPCI, and prepare to raise its next round. Illinois VENTURES has already committed to participating up to 1/2 of the \$1.7 million Series A round, subject to completion of certain milestones.

¹ 2002 Estimates - American Cancer Society

First Round

IFA Investment:	\$300,000
Investment Leveraged:	\$300,000
Pre-Money Valuation*:	\$1,000,000 to \$4,000,000
Post-Money Valuation:	\$2,525,000 to \$7,225,000

IFA Ownership:	Varies from 23.8% to 6.9%, depending on pre-money valuation
Security Type:	Convertible Promissory Note
# of Shares:	609,879 to 5,294,859, depending on valuation
Price Per Share:	\$0.11 to \$0.81, depending on valuation

***Pre-money valuation will be determined at the next financing round. Company and Illinois VENTURES anticipate a pre-money valuation of \$4,000,000. The valuation affects the number of shares and ownership percentage of the Authority. The ranges shown assume a pre-money valuation between \$1,000,000 and \$4,000,000. The actual valuation could be higher or lower than indicated.**

TERM SHEET

ZelleRx is raising between \$600,000 to \$1,000,000 in the form of a Secured Convertible Promissory Note ("Note"), which will be issued in two tranches. The first tranche (1/2 of the total funds) will be due at closing. The remaining funds will be due upon 1) the completion of the clinical development plan, 2) transfer of cell bank from Rush and 3) the transfer of the clinical trial from Rush. The only remaining milestone is the completion of the clinical development plan. This plan is expected to be completed the first week of October.

The Notes will bear simple interest at 8% per annum and mature on December 1, 2005 ("Maturity Date"). The Note shall not be pre-paid and will be secured by a first security interest in all of the assets of the company.

The Authority will be granted observation rights to meetings of the Board of Directors. The Authority will also have information and management rights.

Conversion Rights

The Investors shall convert all of the note and any unpaid interest at the next round conversion price, with all of the rights, preferences and privileges granted thereto. A qualified financing is the sale of equity to a New Investor in excess of \$250,000. The Next Round Conversion Price will be the price the purchasers pay for the next round of securities.

Warrants

The investors shall receive 25% warrant coverage, plus an additional 5% per month beginning 60 days from the date of close. The warrant coverage shall not exceed 100%.

Voting Rights

Investors will be entitled to vote on all matters submitted to the shareholders, with the number of votes equal to the number of then issuable common stock upon conversion.

Conversion Price and Anti-Dilution Provisions

If the next round of financing does not occur prior to the Maturity Date, Investors shall have the right to convert into Preferred Stock with a pre-money valuation of \$1,000,000.

The Conversion Price of the Note shall be subject to weighted average anti-dilution protection in the event any additional common, or securities exchangeable to common, are issued with exception to grants to employees or independent contractors under option and equity plans approved by the Board of Directors, including the Directors selected by the Investors.

Protective Provisions

Investors will have standard protective provisions including, but not limited to, changes in the equity securities or structure of the company, legal documents, indebtedness and sale/change of control of the company.

Use of funds

- Complete lease for lab facility in Chicago to conduct clinical manufacturing;
- Continue intellectual property development and expansion;
- Completion of the clinical development plan;
- License data from Phase I Chicago clinical trial and transfer to UPCI.
- Prepare to complete the Phase I trial at UPCI; and
- Continue corporate development.
- Begin search for CEO and CSO.

The Company will begin raising a \$1.7 million Series A round. The proceeds of the Series A round will be used to:

- Complete Phase I clinical trial for ZRx101 at UPCI;
- Recruit CEO, CMO, CFO, and COO;
- Identify suppliers;
- Optimize cell culture conditions/systems;
- Complete licensing agreements;

- Establish cGMP laboratory in Chicago; and
- Continue corporate development

The Company expects that it will need to raise approximately \$40,000,000 to bring its products to market.

Burn Rate

Following the close of the bridge round, the burn rate of the company will be approximately \$65,000. Salaries of the management team will represent approximately 14.5% of the total burn.

Funding Sources

Illinois VENTURES – Illinois VENTURES operates two of Illinois' Technology Enterprise Centers (ITECs) which assist in the commercialization of technologies coming out of the University of Illinois. The ITEC also considers other technologies not affiliated with the

University. VENTURES receives yearly appropriations to operate and make small investments into companies. Illinois VENTURES invests both public monies (from the ITEC) and through its Emerging Technology Fund. The public monies are generally invested at an earlier stage and are used to advance the company to the point where it is suitable for institutional investment.

In January 2004, Illinois VENTURES had its first close on the first \$12M of a proposed \$20M seed/early stage venture fund. The fund, which has a bias towards investing in technologies originating from the University of Illinois, is part of the University's efforts to capitalize on the its \$650M research budget. The venture fund was raised from alumni and other institutions. Illinois VENTURES cooperates with the Office of Technology Management (OTM) of the University to identify technologies that are able to support themselves independently.

BACKGROUND/SCIENCE

Natural Killer (NK) cells are a subgroup of lymphocytes that play an essential role in cell-based immune defense against cancerous cells. NK cells selectively kill cells that they identify as cancerous or virally infected while leaving normal cells untouched. NK-92 cells differ from normal NK cells in that they lack a receptor found on normal NK cells that inhibit the cells from attacking cancerous cells. Specifically, the NK-92 cell lacks the Killer Inhibitory Receptor (KIR), while retaining all Killing Activating Receptors (KARs). This results in an aggressive cell line that attacks and destroys any cancerous cells. In addition to cancer cells, there is evidence that NK cells selectively kill virally infected cells. This has lead the company to explore the use of NK-92 cells on other infectious diseases. Natural Killer Cells and the NK-92 cell line have been extensively researched and there are more than 1,000 peer-reviewed publications in the public domain regarding these cells.

MECHANISM OF ACTION

The NK-92 destroys cancer cells via a two step process. First, perforin is released. Perforin is a chemical that is known to punch large holes into the cell membrane of a cancer or virally infected cell. Next, granzymes are released into the cell. Granzyme is an enzyme that destroys DNA and other cellular components. NK-92 cells can proliferate in culture indefinitely, but prior to injection are irradiated to prevent proliferation once injected into the patient.

Animal studies have demonstrated the natural targeting of NK-92 to tumor sites over the course of 2-3 days.

PRODUCTS

ZRx101

ZRx101 has demonstrated *in vitro* to be 20 to 80 times more effective than a patients own NK cells against a broad range of cancers. Data from ongoing Phase I trials indicates that the cell line has the potential to be "universally administered" to virtually any patient without triggering an immune response. The NK-92 is not genetically modified. ZRx101 is currently going through Phase I trials for melanoma. Also, Phase I institutional clinical trials at the German Red Cross in Frankfurt, Germany have been completed for advanced childhood cancers (leukemia). The Company hopes that these two trials will facilitate an FDA decision to move directly into Phase II trials.

ZRx102 – Single Chain Targeted Product

ZRx102 will be genetically engineered to express a single chain of a monoclonal antibody on its surface that is specific to a particular tumor type. The Company has licensed this NK-92 variant and it is currently undergoing pre-clinical development in Germany. There have been significant animal tests using this variant and it is anticipated to begin Phase I

institutional clinical trials for breast cancer. These trials will be conducted by Dr. Winfred Wels – a member of ZelleRx's Scientific Advisory Board and are expected to be completed by the end of 2004.

ZRx103 – "Universal" Targeted Product

ZRx103 will be a product that will be genetically engineered to express a cell surface receptor that spontaneously binds to monoclonal antibodies (NK-92 Fc). ZRx103 will have the ability to attach to virtually any monoclonal antibody, presenting the opportunity to attack a wide array of targets. The NK-92 Fc variant is currently undergoing Phase I clinical trials at the Fox Chase Cancer Center in Philadelphia, Pennsylvania.

Other Products

The Company plans to leverage its Scientific Advisory Board and other relationships to broaden its intellectual property portfolio.

INTELLECTUAL PROPERTY

ZelleRx has an exclusive worldwide license to the NK-92 cell line and to the corresponding U.S. and foreign method of use patent applications covering the clinical application of NK-92 and composition of matter for genetically engineered variants in cancer and infectious diseases. The company constantly monitors potential licensing opportunities for other variants of the cell line.

Through a number of patents, the company currently has patents pending on:

- Direct injection of NK-92 for use as a cancer therapeutic – method of use.
- IL-2 variants of NK-92 that produce endogenous IL-2 to enhance NK-92 cell growth and activation – method of use and composition of matter.
- Fc variant for specifically targeting individual types and classes of tumor cells (ZRX103) – method of use and composition of matter.
- B2 globulin variant for minimizing potential graft rejection by suppression of Tcell activation – method of use and composition of matter.
- Thymidine kinase variants and means for controlling duration of treatment by drug mediated deactivation – method of use and composition of matter.

RUSH CONTRIBUTION

The Company has an exclusive worldwide license from Rush University for all of the clinical data from the Phase I clinical trials and NK-92 related know how, including translational research, optimization studies and Standard Operating Procedures (SOPs). The Phase I clinical studies and master cell bank have been transferred to ZelleRx. The FDA has approved the transfer of the IND to ZelleRx and clinical trials will be resuming under the Company's name at the University of Pittsburgh Cancer Institute – one of the premier institutes for cancer treatment.

Rush University funded the Phase I clinical trials at a cost of approximately \$1,000,000. Additionally, Rush funded the development of the Master Cell Bank (\$100,000), which is used to produce mass quantities of NK-92 cells. Finally, Rush funded the development of the process to grow the cells in a serum free/protein free media (estimated cost of several hundred-thousand dollars).

SRAMEK CENTER – cGMP FACILITY

ZelleRx has signed a letter of intent to lease approximately 3,500 ft² of space at the Sramek Center for Cell Engineering, which is located in the Tech 2000 building in the Illinois Medical District. ZelleRx will use this as their laboratory and clinical manufacturing site.

This laboratory contains three individual cell processing rooms with the capability of being certified under cGMP, a cell storage room, gowning room, office and wet laboratory space. The space is fully computerized and is compliant with the current guidelines for cellular production. This space was built in 2002, but has been largely unoccupied since then. The Company has engaged a consultant to determine what changes are necessary to bring it back into cGMP compliance. Costs for bringing the facility back into compliance will be shared by ZelleRx and the University of Illinois.

GRANTS

The company currently has two grant applications pending. More will be filed as the company moves into its laboratory space and advances the development of the manufacturing processes. (The SBIR grant program requires that a company

have laboratory space in which they can perform the studies. The Sramek center will provide the Company with the necessary space to permit them to make additional grant applications.)

The Company has filed for a STTR grant with Dr. Prabhakar (Head, Department of Microbiology and Immunology at UIC) focused on exploring "The Antiviral/Bacterial Indications for NK-92." The grant would provide \$1 million over 2 years.

The Company has also filed for a \$30,000 Cancer Treatment Research Foundation Grant for "A Pilot Study of Adoptive Immunotherapy with Ex-Vivo Expanded NK-92 Cells in Stem Cell Transplant Patients as High Risk for Relapse." This study would provide a basis for determining if NK-92 can be used to reduce the graft-versus-host disease toxicities experienced by allogenic stem cell transplant patients. This type of treatment is frequently used for patients with leukemia. Allogenic stem cell transplantation involves transplantation of bone marrow stem cells from a close relative of the patient.

ZelleRx is also preparing to submit a DOD grant for \$600,000/3yr "Retargeting of natural killer cell cytolytic activity to ovarian carcinoma." This grant will be used to fund pre-clinical investigations for ZRx102.

Funded Grants

There have been several funded research projects relating to the NK-92 cell line. In 2001, the Leukemia Foundation provided \$70,000 to expand on early NK-92 studies to confirm the sensitivity and validation in primary patient derived leukemic cells.

The Leukemia and Lymphoma Society recently funded \$120,000 over three years for the development of NK-92 for targeted immunotherapy in patients with multiple myeloma. It should also be noted that the Society has indicated to the Company that they are very anxious to supply funding for translational research on the NK-92 cell line and has written a letter of support for research on NK cell lines.

The Government of Canada Cancer Research Fund has provided Dr. Keating with a two-year \$331,000 grant to assess the safety of giving NK-92 cells to patients with leukemia and lymphoma in relapse after receiving transplants of their own stem cells.

The Jose Carreras Foundation funded \$600,000 over three years to complete the Phase I clinical trials on NK-92 for leukemia. These clinical trials have been completed and are licensed by ZelleRx.

Finally, as mentioned above, Rush University funded the Phase I clinical trials that ZelleRx has assumed.

FOOD AND DRUG ADMINISTRATION (FDA)

The FDA has a three phase process for approving drugs. Prior to beginning the process, companies must file a Investigational New Drug (IND) application. Phase I is a test for safety/efficacy. These trials are generally conducted on healthy subjects to determine the metabolic and pharmacologic actions of the drug in humans. The number of patients vary, but it generally is between twenty to eighty. Phase II tests determine the effectiveness of the drug against a given indication. Additionally, side effects and risks associated with the drug are identified. The number of patients for Phase II varies, but generally involve several hundred people. Phase III studies are expanded controlled and uncontrolled trials. They generally are used to provide adequate data to permit extrapolation as to the effectiveness on the total population.

ZelleRx has assumed the IND from Rush University and is preparing to resume the trial with the final three patients at UPCI. These trials are expected to begin in March 2005. The Company has licensed the relevant pre-clinical and clinical information from the institutions at which they were conducted. The Company is working with Cato Research to develop the clinical development plan for the NK-92 cell line. This clinical development plan is expected to be complete in October 2004.

BUSINESS MODEL

ZelleRx has assumed sponsorship of the Phase I trials of ZRx101 for the indication of renal cancer and melanoma. The Company has also licensed the relevant pre-clinical and clinical data from Rush, Canada and

Germany. All future trials will be sponsored by ZelleRx and conducted by one of these institutions. It is estimated that ZRx101 will initially be approved for use for melanoma in 2009. The company estimates sales of approximately \$65 million within the first 12 months.

The Company hopes to pursue Orphan Drug Status for ZRx101, which would bring the product to market in a shorter timeframe.

Given the current costs of cell therapies available on the market today, ZelleRx anticipates a cost per dose of \$9,600. As comparison, Dendreon costs approximately

\$16,000. The Company hopes to exit via acquisition or trade sale prior to launch of ZRx101. Due to the universal nature of ZRx101, the company can pursue multiple indications without any modification to the product.

TARGET MARKET

Worldwide, cancer is a \$15 billion market, of which \$1.6 billion is attributed to cell therapies. It is estimated that by 2005, the market will be \$25 billion with \$2.2 billion attributed to cell therapies.

ZelleRx's initial therapies focus on the recurrence of cancers. ZRx101 will be used as an adjuvant therapy to augment the effectiveness of existing therapies (chemotherapy, radiation, surgery, etc.) to eliminate the

residual cancer levels left in the body by these primary therapies.

According to the American Cancer Society, there are more than 1.3 million Americans living with cancer and 550,000 die each year. In 2002 there were 30,800 new cases of leukemia, 53,600 new cases of melanoma, 31,800 new cases of renal cancer, 205,000 new cases of breast cancer and 14,600 new cases of myeloma.

KEY PERSONNEL

The management of the company currently consists of several founders. Upon the close of the bridge round, the Company plans to initiate a national search for a CEO and CSO. Upon the identification of these candidates, Mr. Keller will shift to another management role (i.e. business development or product development). Dr. Klingeman will shift to the Scientific Advisory Board and will become a consultant to the Company.

Management Team

Gary N. Keller - Chief Executive Officer, Director and Founder.

Mr. Keller, a founder of the Company, will serve as the Company's Chief Executive Officer and President. Mr. Keller also is founder and CEO of Xomix Ltd., a biotechnology accelerator engaged in biotechnology businesses development, the commercialization of bio-innovations, and the design and implementation of strategic initiatives. Mr. Keller has more than 17 years of experience in business development for leading biotechnology companies including corporate development, product development, market development, sales, and scientific research. Prior to forming Xomix, Keller was *National Manager Cellular Therapy* for BioWhittaker, Inc. where he led the development and corporate expansion of this market area by refocusing and developing products and services for cell, gene, and tissue therapy clinical applications. Mr. Keller has a Masters of Biotechnology—from Northwestern University's Center for Biotechnology and a Bachelors of Science in Biochemistry from Pennsylvania State University.

Hans G. Klingemann, MD, PhD – Chairman of the Board and Interim Chief Scientific Officer

Dr. Klingemann, a founder of the Company, is serving, on an interim basis, as the Company's Chief Scientific Officer and Chairman of the Board. He is Coleman Professor of Medicine at Rush Medical College, and since 1997 has been the Director of the Section of Bone Marrow Transplant and Cell Therapy at Rush-Presbyterian-St. Luke's Medical Center in Chicago, Illinois. He is the inventor and sole owner on the intellectual property rights for the use of NK-92 cellular platform technology and its variants. Dr. Klingemann has published books, scientific articles, and abstracts as well as lectured around the world as an expert on natural killer cells. Dr. Klingemann is Senior Clinical Editor of the *Journal of Hematotherapy and Stem Cell Research*. Dr. Klingemann has an MD, PhD from University of Würzburg Medical School, Germany. After completing residency in Germany, he finished fellowships in Hematology/Oncology at the Fred Hutchinson Cancer Research Center in Seattle and the University of Marburg-Germany. Between 1986 and 1997 he led a team of researchers at the British Columbia Cancer Research Center (BCCA) where the discovery of NK-92 cells was made. He also held the appointment of an Associate Professor and later Professor at the University of British Columbia. He also served as attending physician in Hematology and bone marrow transplant.

Joseph Feldman, MBA – Interim Vice President Finance and Business Development

Mr. Feldman serves as the Company's Interim Vice President of Finance and Business Development on a

part time basis. Mr. Feldman was Vice President of Corporate Development for First Genetic Trust and held responsible for establishing business relationships with pharmaceutical companies and medical research institutions, as well as technology and marketing alliances in support of the company's market development. Prior to First Genetic Trust, Mr. Feldman spent twenty years with Monsanto Company, completing his career there as Vice President of Business Development for Searle Pharmaceuticals. His experience includes a range of business development, strategy development, financial operations, and international responsibilities. Mr. Feldman has a B.S. (Economics) from the Wharton School of the University of Pennsylvania, and an MBA from the Kellogg School at Northwestern University, Evanston, Illinois.

Torsten Tonn, Ph.D. - Director of European Operations.

Dr. Tonn serves as Director of European Operations for the Company. He is an Assistant Professor of Medicine at the University of Frankfurt, Germany, and is also employed at the Blood Center in Frankfurt. Dr. Tonn has worked with the NK-92 cells for the past seven years and has numerous publications. Dr. Tonn has received a German National Award for an initial business proposal based on the ZelleRx NK-92 technology and is currently overseeing the production and clinical phase I trials in Germany.

Richard Domanik, Ph.D. - Director of Business Development.

Dr. Domanik serves as the Company's Director of Business Development on a part time basis. Dr. Domanik was a vice president and Chief Technology Officer with Molecular Diagnostics from 1999 until 2001 when he joined Xomix as a part time consultant, a

position he will maintain. From 1994 to 1999, he was Vice President - Engineering and Technology and a vice president at AccuMed, International, a multi-national manufacturer of clinical diagnostic laboratory instruments, devices and reagents. From 1979 through 1994, he was with Abbott Laboratories where he last served as a senior systems engineer. Dr. Domanik has a B.A. (Chemistry) from Ripon College, Ripon Wisconsin and a Ph.D. (Biochemistry) from Northwestern University, Evanston, Illinois.

Mathew J. Palazzolo, PhD, DABT - Director of Clinical and Regulatory Affairs

Dr. Palazzolo serves as the Company's Director of Clinical and Regulatory Affairs on a part time basis. He will continue part time as an independent consultant with RJM Consulting Drug Development. Dr. Palazzolo has over 28 years of experience in Drug development. Most recently he served as the Vice President of Scientific Consulting for Covance, Inc., where he established a group within the CRO industry dedicated to biotechnology companies and start-up organizations.

Babs Carryer - Business & Corporate Development.

Ms. Carryer assists the Company with corporate and business development, concentrating on business planning and funding. Ms. Carryer is President of Carryer Consulting. She is a founder and past President of LaunchCyte LLC, a development company that formed and funded five life sciences start-up companies based on innovations from leading research universities across the U.S. Ms. Carryer teaches Entrepreneurship at Carnegie Mellon University, the University of Pittsburgh's Office of Enterprise Development, and National Technology Transfer Center.

BOARD OF DIRECTORS

In addition to the three directors in place, the current investors will have two Board seats. These will be filled following the close of the round.

Dr. Klingemann - Chairman, CSO

Gary Keller - CEO

Ronald B. Herberman, M.D. -Director. Dr. Herberman is the founding Director of the Cancer Centers of the University of Pittsburgh Medical Center

(UPMC), an NCI comprehensive cancer institute; and Associate Vice Chancellor for Research; Hillman Professor of Oncology and Professor of Medicine and Pathology at the University of Pittsburgh. Prior to moving to the University of Pittsburgh, Dr. Herberman held numerous senior positions within the National Cancer Institute. Dr. Herberman is world renowned as the "Discoverer of the Natural Killer Cell" and has extensively researched, published, and lectured on this area.

SCIENTIFIC ADVISORY BOARD

Armand Keating, M.D.

- Director, Division of Hematology and Professor of Medicine, University of Toronto
- Head, Department of Medical Oncology and Hematology
- Chief, Medical Services, Princess Margaret Hospital/Ontario Cancer Institute

Ann Lefever, Ph.D.

- Director, Immunotherapy Program, WM Schuett Cellular Laboratory, St. Luke's Medical Center, Milwaukee, WI

Michel Lotze, M.D.

- Director of Translational Research, Molecular

John McMannis, Ph.D.

- Director, Cell Processing, MD Anderson Cancer Center, Houston, TX.

Robert Negrin, M.D.

- Division Chief, Division of Bone Marrow Transplantation and Director, Adult Program, Stanford University Medical Center, Palo Alto, CA

Winfred Wels, Ph.D.

- Deputy Director, Chemotherapeutics Research Institute, Georg-Speyer-Haus. University of Frankfurt, Frankfurt am Main, Germany

Medicine Institute, University of Pittsburgh,
Pittsburgh, PA

STRATEGIC ALLIANCES AND PARTNERSHIPS
UPMC/UPCI

The UPMC is a not-for-profit hospital network with 27 hospitals and over \$5 billion in revenues. UPCI is designated as a Comprehensive Cancer Center by the National Cancer Institute of the National Institute of Health. This designation means that they conduct programs in all three areas of research – basic research, clinical research, and prevention and control research – as well as programs in community outreach and education. To obtain this status, the center goes through rigorous peer review every three to five years. There are only 40 such sites in the country. UPCI receives approximately \$150 million in research grants every year. The institute has over 500 faculty and staff

UPMC Ventures is the venture investment arm of UPMC. UPMC typically invests in companies that utilize technology coming out of UPMC. They have invested in 20 companies ranging from start-up to fully developed companies.

The head of the University of Pittsburgh Cancer Institute is Dr. Ron Herberman, one of the Company's directors. Dr. Herberman was the discoverer of the Natural Killer cell in the human body and mouse. Dr. Herberman and UPMC have agreed to conduct the clinical trials. Furthermore, UPMC has expressed an

interest of providing in-kind services for between \$500,000 and \$1,000,000 in exchange for equity in ZelleRx. UPMC was originally interested in an investment, but since the company is not based on UPMC technology and not located in Pennsylvania a cash investment is not possible.

CATO RESEARCH VENTURES

Cato Research is a \$30 million/year contract research organization (CRO) located in the Triangle Research Park in North Carolina. Cato was founded in 1988 by Dr. Allen Cato and Lynda Sutton. Both came out of GlaxoSmithKline and established Cato with the goal to help develop novel technology and used the ability of the CRO to invest in early stage companies. Cato has more than 300 employees worldwide and works with over 100 different biotech, pharmaceutical companies and startups. Cato provides a variety of services including preparing clinical development plans, INDs, data management, regulatory strategies and controls and pharmaceutical product development.

Cato has extended a \$400,000 convertible note to ZelleRx in the form of in-kind services. The work by Cato is focused on developing the clinical development plan for ZRx101. This plan will be complete in the end of September/early October timeframe.

COMPETITION

Competition in the cell therapy industry can be divided into three core fields: "universal," "patient specific," and cell-based vaccines. ZelleRx's universal NK-92 therapy can be used in conjunction with traditional therapies (as an adjuvant therapy) to provide higher probability of eradicating the cancer cells.

Miltenyi (www.miltenyibiotec.com) is the only company known to be focusing on NK cells. They have developed, and are attempting to commercialize, a kit to isolate NK cells for re-injection into the body. These kits are intended to be "patient specific." (see below)

The second field is "patient specific" therapies. These therapies focus on removing cells from the patient, purifying the cells (usually natural killer or T-lymphocytes), activating them and re-injecting them into the patient. These are extraordinary time consuming and labor intensive. Companies focusing on these therapies are: Miltenyi, Neoprobe and Xcyte. Miltenyi is developing a kit that can be used to collect, purify, activate and expand NK cells from the blood. Neoprobe (www.neoprobe.com) and Xcyte (NASDAQ: XCYT, www.xcyte.com) are focused on developing therapies based on T-lymphocytes. **The Authority has an investment in XCYT through its investment in Arch Development Fund I.**

Finally, cell-based vaccine companies are focused on developing technologies that stimulate the patient's

immune system in a way to encourage the patient's immune system to attack the cancer. Dendreon (www.dendreon.com) and Immuno Designed Molecules (www.idm-biotech.com) are companies focused on commercializing this technology.

ZelleRx Competitive Advantages

- Exclusive worldwide license to commercialize NK-92 technologies.
- Universal therapy that is not patient specific;
- Mid-Phase I trials at a premier cancer institute; and
- Backing by leading academics focused on NK technologies;

EXIT STRATEGY

The company plans to exit either through either through an acquisition by a pharmaceutical or biotechnology company or through an IPO. Several potential acquirers include specialty pharmaceutical companies, therapeutic monoclonal

POST-MONEY OWNERSHIP AND SALARIES

	Current		Maturity of Notes (\$1M pre-money)		Post Series A (\$2M pre-money)		Post Series A (\$4M pre-money)	
	# Shares	% Dil	# Shares	% Dil	# Shares	% Dil	# Shares	% Dil
Investors								
Illinois Ventures	-	0.0%	5,294,859	23.8%	2,338,115	9.3%	609,879	6.9%
IETF	-	0.0%	-	0.0%	4,100,803	16.3%	1,047,267	11.8%
Chicago ITEC	-	0.0%	441,238	2.0%	199,010	0.8%	50,823	0.6%
Cato Ventures	-	0.0%	3,554,906	16.0%	1,954,790	7.8%	517,832	5.8%
IFA	-	0.0%	5,294,859	23.8%	2,388,115	9.5%	609,879	6.9%
UPMC	-	0.0%	4,412,383	19.8%	2,412,237	9.6%	616,040	6.9%
Investor 7	-	0.0%	-	0.0%	<u>4,100,803</u>	<u>16.3%</u>	<u>1,047,267</u>	<u>11.8%</u>
<i>Investors Sub-Total</i>	-	0.0%	<i>18,998,245</i>	<i>85.3%</i>	<i>17,493,873</i>	<i>69.5%</i>	<i>4,498,987</i>	<i>50.5%</i>
Other Equity holders								
Klingeman	1,742,363	53.1%	1,742,363	7.8%	1,742,363	6.9%	1,742,363	19.6%
Keller	664,630	20.2%	664,630	3.0%	664,630	2.6%	664,630	7.5%
Tonn	116,158	3.5%	116,158	0.5%	116,158	0.5%	116,158	1.3%
Rush	99,279	3.0%	99,279	0.4%	99,279	0.4%	99,279	1.1%
Option pool	<u>661,857</u>	<u>20.2%</u>	<u>661,857</u>	<u>3.0%</u>	<u>5,041,575</u>	<u>20.0%</u>	<u>1,780,354</u>	<u>20.0%</u>
<i>Others Sub-Total</i>	<i>3,284,287</i>	<i>100.0%</i>	<i>3,284,287</i>	<i>14.7%</i>	<i>7,664,005</i>	<i>30.5%</i>	<i>4,402,784</i>	<i>49.5%</i>
Total	3,284,287	100.0%	22,282,532	100.0%	25,157,878	100.0%	8,901,771	100.0%

Assumptions

- The conversion at the maturity of the notes assumes that the option pool will not be refreshed and the notes will have 100% warrant coverage.
- The Option Pool will be refreshed to 20% of the outstanding stock simultaneous with the Series A investment (at the expense of the current shareholders).
- The \$2M and \$4M pre-money scenario has the notes accruing 65% warrant coverage.

SALARIES OF MANAGEMENT TEAM:

Gary Keller – CEO

Salary:
 \$120,000

ECONOMIC DISCLOSURE INFORMATION

	<u>Firm</u>	<u>Location</u>	<u>Contact</u>
Company	<i>ZelleRx</i>	<i>Chicago</i>	<i>Gary Keller</i>
General Counsel:	Dykema Gossett Rooks Pitt, PLLC	Chicago	Misty Gruber
Accountant:	Quinlan and Associates	Burr Ridge	Cheryl Quinlan
Co-Investor	<i>Illinois VENTURES</i>	<i>Chicago</i>	<i>Kathryn Hyer</i>
Counsel:	Gordon & Glickson	Chicago	Scott Glickson
Accountant:			

LEGISLATIVE DISTRICTS

Congressional:	(7) Danny Davis
State Senate:	(5) Rickey Hendon
State House:	(9) Arthur Turner

ZelleRx Balance Sheet
 as of May 31, 2004

	31-May-04
ASSETS	
Current Assets	11,637
Fixed Assets	<u>2,603</u>
Total Assets	<u>14,240</u>
LIABILITIES & EQUITY	
Current Liabilities	
Accounts Payable - Legal	74,737
Deferred Pay - Domanik	<u>16,750</u>
Total Current Liabilities	91,487
Long Term Liabilities	
Convertible Promissory Notes	187,500
Promissory Notes	<u>108,900</u>
Total Long Term Liabilities	296,400
Total Liabilities	387,887
Equity	
Capital Stock	12,000
Retained Earnings	(210,479)
Net Income	<u>(175,168)</u>
Total Equity	(373,647)
Total Liabilities and Equity	<u>14,240</u>

ILLINOIS FINANCE AUTHORITY

Memorandum

To: IFA Board of Directors
From: Kevin Koenigstein
Date: August 10, 2004
Re: Overview Memo for Beginning Farmer Bonds

- **Borrower/Project Name:** Beginning Farmer Bonds
- **Locations:** Throughout Illinois
- **Board Action Requested:** Final Bond Resolutions for each attached project
- **Amounts:** amounts up to \$250,000 maximum of new money for each project
- **Project Type:** **Beginning Farmer Revenue Bonds**
- **IFA Benefits:**
 - **Conduit Tax-Exempt Bonds** – no direct IFA or State funds at risk
 - **New Money Bonds:**
 - convey tax-exempt status
 - will use dedicated 2004 IFA Volume Cap set-aside for Beginning Farmer transactions
- **IFA Fees:**
 - One-time closing fee will total 1.50% of the bond amount for each project (\$1,875) combined for Final Bond Resolutions, as proposed)
- **Structure/Ratings:**
 - Bonds to be purchased directly as a nonrated investment held until maturity by the Borrower's Bank
 - The Borrower's Bank will be secured by the Borrower's assets, as on a commercial loan
 - Interest rates, terms, and collateral are negotiated between the Borrower and the Participating Bank, just as with any commercial loan
 - Workouts are negotiated directly between each Borrower and Bank, just as on any secured commercial loan
- **Bond Counsel:** Jenner & Block, Chicago; Paula Goedert

Voting Record:

Preliminary Bond Resolutions – July 13, 2004

Ayes: 10 Nays: 0 Abstentions: 0 Absent: 2 (Goetz, Ozark) Vacant: 3

BEGINNING FARMER BOND LOANS

**Previously Approved Projects for Bond Resolution – Page 1 of 1
August 10, 2004**

Project Number: A-FB-TE-CD-432
Borrower(s): Jay A. Todd and Christina Diane Todd
City: Thompsonville
Amount: \$125,000
Use of Funds: Farmland – 140 acres
County: Franklin
Lender/Bond Purchaser: First Mid-Illinois Bank, Highland

Principal shall be paid semi-annually in fifty equal installments of \$2,500.00 each, with the first principal payment date to be six months from the date of closing. Accrued interest shall be paid semi-annually.

Interest shall be charged at the rate of 3.40% per annum for the first year, thereafter adjusted annually to a rate not to exceed 85% of National Prime as quoted in The Wall Street Journal, with a floor of 3.40%.

RESOLUTION 2004-17

**APPROVING THE POLICIES AND PROCEDURES OF THE ILLINOIS
FINANCE AUTHORITY AND DELEGATING TO THE EXECUTIVE
DIRECTOR THE AUTHORITY TO MAINTAIN, UPDATE AND AMEND SAID
POLICIES AND PROCEDURES AS NEEDED**

WHEREAS, Section 801-30 of the Illinois Finance Authority Act, 20 Illinois Compiled Statutes 3501/801-1 et seq. (the "Act"), grants generally the Illinois Finance Authority (the "Authority") all the "powers as a body corporate necessary and convenient to accomplish the purposes of" the Act; and

WHEREAS, Section 801-30(e) of the Act specifically authorizes the Authority to "adopt all needful ordinances, resolutions, by-laws, rules and regulations for the conduct of its business and affairs and for the management and use of the projects developed, constructed, acquired and improved in furtherance of its purposes"; and

WHEREAS, Section 801-30(f) of the Act specifically empowers the Authority to "have and exercise all powers. . .otherwise necessary to effectuate the purposes of" the Act; and

WHEREAS, Section 801-40 of the Act grants the Authority a host of "additional specific additional powers to be exercised in furtherance of the purposes of the Act", including, but not limited to, the power to issue bonds for and make loans to eligible borrowers for eligible projects; and

WHEREAS, Section 801-15 of the Act provides for the appointment of an Executive Director and vests the Executive Director with the responsibilities to act as the "chief administrative and operational officer of the Authority" and to "direct and supervise its administrative affairs and general management and perform such other duties as may be prescribed from time to time by the members" of the Authority; and

WHEREAS, in order to further the consolidation of the Predecessor Authorities (as defined in the Act) into the Authority and to provide for the efficient and effective operation of the Authority, the Executive Director has prepared and presented to the members of the Authority a proposed policies and procedures manual (the "Manual") that is intended to guide the day-to-day operations of the Authority; and

WHEREAS, the members of the Authority have determined that the establishment of such a Manual is in the best interest of the Authority as it will facilitate the consolidation of the Predecessor Authorities into the Authority and will provide for the effective and efficient operation of the Authority; and

WHEREAS, the members of the Authority have the power to adopt this Resolution pursuant to Sections 801-25, 801-30 and 801-40 of the Act; and

RESOLUTION 2004-18

Resolution Appointing an Assistant Secretary of the Illinois Finance Authority

WHEREAS, on January 5, 2004, the Illinois Finance Authority (the "Authority") duly approved Resolution 2004-1, which adopted the By-Laws of the Authority (the "By-Laws"); and

WHEREAS, in accordance with Section 845-40 of the Illinois Finance Authority Act, 20 Illinois Compiled Statutes 3501/801-1 et seq. (the "Act"), and Article III, Section 3 of its By-Laws, the Authority has appointed a Secretary; and

WHEREAS, Article III, Section 4 of the By-Laws states that the Authority may "appoint from time to time, one or more Assistant Secretaries who may, but need not be, a member or members of the Authority, to perform any of the duties imposed upon the Secretary" except as otherwise directed by the Authority or the Secretary shall; and

WHEREAS, Section 801-30 of the Act grants generally the Authority all the "powers as a body corporate necessary and convenient to accomplish the purposes of" the Act, and subsection (e) thereof specifically authorizes the Authority to "adopt all needful ordinances, resolutions, by-laws, rules and regulations for the conduct of its business and affairs and for the management and use of the projects developed, constructed, acquired and improved in furtherance of its purposes"; and

WHEREAS, the members of the Authority have found and determined that the appointment of an Assistant Secretary will facilitate the effective and efficient operations of the Authority; and

WHEREAS, the members of the Authority also have the power to adopt this Resolution pursuant to Sections 801-25 of the Act;

NOW, THEREFORE, BE IT RESOLVED BY THE ILLINOIS FINANCE AUTHORITY, AS FOLLOWS:

Section 1. Recitals. The recitals set forth above are hereby found to be true and correct and are incorporated into this Resolution as if fully set forth herein.

Section 2. Appointment of Assistant Secretary. Mr. Anthony D. D'Amato is hereby appointed to the office of Assistant Secretary of the Authority and shall hold office during the pleasure of the Authority. The Assistant Secretary shall have the same powers prescribed for the Secretary in the By-Laws and shall exercise those powers as directed by the Authority, the Executive Director or the Secretary.

Section 3. Enactment. This resolution shall take effect immediately. If any section, paragraph or provision of this resolution shall be held to be invalid or

Resolution Number 2004-16

Resolution Concerning the Administration of Pooled Debt Transactions Originally Issued by the Illinois Health Facilities Authority, a Predecessor Authority of the Illinois Finance Authority

WHEREAS, the Illinois Finance Authority (the "Authority") has been created by the Illinois Finance Authority Act, 20 Illinois Compiled Statutes 3501/801-1 et seq. (the "Act"); and

WHEREAS, pursuant to Section 845-75 of the Act, the rights, powers, duties and responsibilities formerly exercised by the Illinois Health Facilities Authority (the "Health Facilities Authority") are now the rights, powers, duties and responsibilities of the Authority, which are to be assumed and exercised by the Authority in accordance with the Act; and

WHEREAS, the Health Facilities Authority in the past and the Authority may in the future issue bonds, notes or other obligations of one or more series to finance revolving pooled financing programs or arrangements (the "Bonds"), under certain trust agreements, trust indentures and other security documents (the "Indentures"); and

WHEREAS, to evidence the loaning and reloading of the proceeds of Bonds, the Health Facilities Authority has previously entered into and the Authority may in the future enter into certain loan agreements, mortgages or other financing agreements (the "Agreements") with certain "persons," as such term is defined in the Act (herein, the "Borrowers"); and

WHEREAS, in connection with the issuance of various series of Bonds, the Health Facilities Authority has previously executed and delivered Indentures which require that the lending and relending of the proceeds of the sale of such Bonds be made pursuant to Agreements substantially in the form attached to the respective Indentures, with only such changes from such forms as are approved by resolution of the Authority (as successor to the Health Facilities Authority) authorizing such changes ("Approved Changes"); and

WHEREAS, the Health Facilities Authority has heretofore adopted resolutions (the "Prior Resolutions") with respect to the Bonds authorizing its officers to enter into amendments and supplements to existing Agreements and to make Approved Changes and the Authority has heretofore taken actions in reliance upon the authorization contained in the Prior Resolutions; and

WHEREAS, in connection with the lending or relending of proceeds of Bonds or the administration of existing loans of Bond proceeds under existing Agreements, a Borrower may request that the Authority execute an Agreement, make amendments to an existing Agreement, make Approved Changes to the form of an Agreement or other related documents, give certain consents or approvals or execute and deliver related certificates and notices; and

provisions of this resolution, and when executed and delivered as hereinabove provided, each such document and all of the acts and doings of the Authorized Officers which are in conformity with the intent and purposes of this resolution, whether heretofore or hereafter taken or done, including specifically without limitation, the execution and delivery of such documents as aforesaid, shall be and are hereby ratified, confirmed and approved.

Section 4. Authorization to Remain in Effect. The foregoing authorizations and approvals shall remain in full force and effect until rescinded by further action of the Authority.

Section 5. Delivery of Resolution. The person executing any Agreement, Agreement with Approved Changes, supplemental Agreement, consent, approval or any other necessary or desirable document pursuant to this resolution is hereby authorized to deliver a certified copy of this resolution as evidence that the Authority has approved the same provided the requirements of this resolution are met.

Section 6. Documents and Approvals Binding. When any document, approval or consent is executed and delivered on behalf of the Authority as hereinabove provided, such document, approval or consent shall be binding upon the Authority; provided that all requirements of the governing instrument or instruments are satisfied (other than the requirement of an approving resolution of the Authority, for which the provision of a certified copy of this resolution pursuant to Section 4 hereof shall be deemed to conclusively satisfy) and that the person acting on behalf of the Authority shall have received all other documents as such person shall require, including, without limitation, if required, an opinion of bond counsel to the effect that the action to which such document, approval or consent relates will not have an adverse effect on any exemption from federal income taxation to which the interest on any related Bond would otherwise be entitled.

Section 7. Enactment. This resolution shall take effect immediately. If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this resolution.

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ILLINOIS FINANCE AUTHORITY

Memorandum

Memo To: IFA Board of Directors

From: Anthony D. D'Amato
General Counsel

Date: August 2, 2004

Re: Amendments

A. Plano Molding

B. A.C.I./Cultural Pooled Financing Program (Series 1998 and 1999)

A. Plano Molding

Request: Plano Molding Company, an Illinois corporation ("Plano") requests the IFA Board's approval of a supplemental loan agreement, amending the Original Loan Agreement, dated June 1, 1992 between Plano and IDFA in connection with the \$6,500,000 IDFA Industrial Development Revenue Bonds, Series 1992 (the "Bonds"), to permit the granting of a second mortgage on certain real property funded with the proceeds of the Bonds (the "Project"). In connection with its business, Plano is seeking additional financing from a lender and wishes to provide that lender with a second mortgage on the Project. The Original Loan Agreement did not permit the granting of a second mortgage on the Project. The sole bondholder has indicated its willingness to consent to such a second mortgage. The Resolution authorizes the execution and delivery of the supplemental loan agreement, subject to the conditions stated therein. A copy of the authorizing Resolution is attached.

Staff Recommendation: Staff recommends approval.

B. ACI/Cultural Pooled Financing Program (Series 1998 and 1999)

Request: The various cultural and educational institutions (collectively, the "Institutions") referenced in the attached ACI/Cultural Pooled Loan Program Series 1998 Amending Resolution and ACI/Cultural Pooled Loan Program, Series 1999 Amending Resolution (collectively, the "Resolutions") are requesting the IFA Board's approval to amend certain provisions of the Trust Indenture, dated March 1, 1998 between the IEFA and J.P. Morgan Trust Company (the "1998 Indenture") and the Trust Indenture dated July 1, 1999 between the IEFA and J.P. Morgan Trust Company (the "1999 Indenture" and collectively with the 1998 Indenture, the "Indentures"). The 1998 Indenture relates to \$48,300,00 (original aggregate principal amount) IEFA Variable Rate Demand Revenue Bonds, Series 1998 (the "1998 Bonds"). The 1999 Indenture relates to \$22,200,000 (original aggregate principal amount) IEFA Variable Rate Demand Revenue Bonds, Series 1999 (the "1999 Bonds" and together with the 1998 Bonds, the "Bonds").

The requested amendments to the Indentures would (i) add a new mandatory tender provision, and (ii) grant the current (and any future) credit provider the ability to consent to amendments to the Indentures and the corresponding loan agreements. Specifically, the new mandatory tender provision would provide that upon receipt by the trustee of notice from the credit provider that one or more of the Institutions have defaulted under their respective Reimbursement

RESOLUTION

A RESOLUTION PROVIDING FOR THE APPROVAL BY THE ILLINOIS FINANCE AUTHORITY (SUCCESSOR IN INTEREST TO THE ILLINOIS DEVELOPMENT FINANCE AUTHORITY) (THE "ISSUER") OF AN AMENDMENT TO THE LOAN AGREEMENT THAT WAS EXECUTED IN CONNECTION WITH THE ISSUANCE OF THE ISSUER'S \$6,500,000 ORIGINAL PRINCIPAL AMOUNT INDUSTRIAL DEVELOPMENT REVENUE BONDS, SERIES 1992 (PLANO MOLDING COMPANY PROJECT) (THE "BONDS"); AND RELATED MATTERS.

WHEREAS, the Illinois Finance Authority, a body politic and corporate (the "Issuer") is authorized and empowered by the provisions of the Illinois Finance Authority Act, 20 ILCS 3501/801-1 et seq. (2002 State Bar Edition), as from time to time supplemented and amended (the "Act") to issue its revenue bonds to finance or refinance the costs of any industrial, commercial or manufacturing project in order to promote the expansion, retention or diversification of employment opportunities within the State of Illinois (the "State") or any area thereof or will aid in stabilizing or developing any industry or economic sector of the State economy; and

WHEREAS, the Illinois Development Finance Authority (predecessor in interest to the Issuer) on June 17, 1992 adopted a bond resolution authorizing the issuance of its \$6,500,000 original principal amount Industrial Development Revenue Bonds, Series 1992 (Plano Molding Company Project) (the "Bonds"); and

WHEREAS, in connection with the issuance of the Bonds, Plano Molding Company, an Illinois corporation (the "Borrower") and the Issuer entered into a Loan Agreement dated as of June 1, 1992 (the "Original Loan Agreement"); and

WHEREAS, as security for the Bonds, the Borrower granted a Mortgage dated as of June 1, 1992 (the "Mortgage") to J.P. Morgan Trust Company, National Association (successor

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE ILLINOIS FINANCE AUTHORITY, AS FOLLOWS:

Section 1. That the form, terms and provisions of the proposed Supplemental Loan Agreement be, and it hereby is, in all respects approved, and that the Chairman, Vice Chairman or Executive Director and the Secretary or Assistant Secretary be, and they are hereby authorized, empowered and directed to execute and deliver such instrument in the name and the behalf of the Issuer and that the Supplemental Loan Agreement is to be in substantially the form thereof submitted to this meeting and hereby approved, with such changes therein as shall be approved by the officials of the Issuer executing the same, their execution thereof to constitute conclusive evidence of their approval of any and all changes or revisions therein from and after the execution and delivery of such instrument, the officials, agents and employees of the Issuer are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of such instrument as executed.

Section 2. That the execution and delivery of the Supplemental Loan Agreement, as authorized in Section 1 above, is expressly conditioned upon the following:

- a) Approval of the Supplemental Loan Agreement must be obtained from all necessary parties; and
- b) The Issuer's counsel must approve a final copy of the Supplemental Loan Agreement and all related documents at or prior to its execution and delivery; and
- c) Bond Counsel must opine that the Supplemental Loan Agreement is authorized by, and in accordance with the relevant bond documents, and will not adversely impact the tax-exempt status of the Bonds.

APPROVED this ____ day of August, 2004.

Executive Director

ATTEST:

Secretary

CHICAGO 27406v1

WHEREAS, in accordance with the terms of the Original Indenture, effective July 1, 2004, the Institutions replaced the Initial Credit Facility with an alternate credit facility (the "New Credit Facility") provided by Bank of America, N.A., a national banking association (the "New Credit Provider"), pursuant to the terms of separate Reimbursement Agreements dated as of July 1, 2004 (between each Institution and the New Credit Provider; and

WHEREAS, in accordance with the terms of the Original Indenture, effective July 28, 2004, the Institutions replaced the Initial Remarketing Agent with Banc of America Securities LLC (the "New Remarketing Agent") pursuant to the Remarketing and Interest Services Agreement dated as of July 1, 2004 among the Illinois Finance Authority (as successor to the IEFA) (the "Authority"), the Institutions and the New Remarketing Agent; and

WHEREAS, in accordance with the terms of the Original Indenture, effective July 28, 2004, at the request of the Institutions, the Authority removed the Initial Trustee and appointed The Bank of New York Trust Company, N.A., as the new trustee under the Original Indenture (the "New Trustee"); and

WHEREAS, in connection with the delivery of the New Credit Facility, the Institutions agreed to use their best efforts to effect an amendment to the Original Indenture to (i) add a new mandatory tender provision and (ii) grant the New Credit Provider and any future credit provider the ability to consent to amendments to the Original Indenture and the Loan Agreements that affect such credit provider's rights or obligations; and

WHEREAS, the new mandatory tender provision would provide that upon receipt of the New Trustee of notice from the credit provider that one or more Institutions have defaulted under their respective Reimbursement Agreements (as defined in the Original Indenture) and as a consequence thereof that portion of the Bonds representing such Institution's or Institutions percentage share of the Bonds then outstanding would be mandatorily tendered for purchase; and

WHEREAS, amending of the Original Indenture to include such additional mandatory tender in the Original Indenture would cause the Bonds to be "reissued" for tax purposes; and

WHEREAS, the Institutions, the New Remarketing Agent and the New Trustee have expressed their willingness to consent to such amendments; and

WHEREAS, the proposed amendments have been described in the Remarketing Memorandum No. 1 dated July 1, 2004 and the Remarketing Memorandum No. 2 dated July 28, 2004, each supplementing the Official Statement dated March 23, 1998, relating to the Bonds, and delivered to the owners of the Bonds in connection the delivery of the New Credit Facility and the appointments of the New Remarketing Agent and the New Trustee, respectively; and

WHEREAS, the Institutions have requested that the Authority authorize and approve the execution and delivery of a First Supplemental Trust Indenture (the "Supplemental Indenture"), supplementing and amending the Original Indenture, between the Authority and the New Trustee to effect such amendments, a copy of which has been prepared and presented to the members of the Authority; and

binding on the Authority; that from and after the execution and delivery of the Tax Agreement, the officers, employees and agents of the Authority are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Tax Agreement as executed.

Section 4. That the Chairman, the Treasurer, the Executive Director, the Secretary, any Assistant Secretary and any other officer of the Authority be, and each of them hereby is, authorized to execute and deliver such documents, certificates, and undertakings of the Authority, including without limitation, the execution and delivery of the 8038 Form, and to take such other actions as may be required in connection with: the execution, delivery and performance of the Supplemental Indenture; effecting the amendments to the Original Indenture as provided herein; and the reissuance of the Bonds, all as authorized by this Resolution.

Section 5. That all acts of the officers, employees and agents of the Authority which are in conformity with the purposes and intent of this Resolution be, and the same hereby are, in all respects, ratified, approved and confirmed.

Section 6. That the provisions of this Resolution are hereby declared to be separable, and if any section, phrase or provision hereof shall for any reason be declared to be invalid, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions of this Resolution.

Section 7. That all resolutions and orders, or parts thereof, in conflict herewith are hereby superseded to the extent of such conflict.

Section 8. That this Resolution shall be in full force and effect immediately upon its passage, as by law provided.

WHEREAS, in accordance with the terms of the Original Indenture, effective July 28, 2004, the Institutions replaced the Initial Remarketing Agent with Banc of America Securities LLC (the "New Remarketing Agent") pursuant to the Remarketing and Interest Services Agreement dated as of July 1, 2004 among the Illinois Finance Authority (as successor to the IEFA) (the "Authority"), the Institutions and the New Remarketing Agent; and

WHEREAS, in accordance with the terms of the Original Indenture, effective July 28, 2004, at the request of the Institutions, the Authority removed the Initial Trustee and appointed The Bank of New York Trust Company, N.A., as the new trustee under the Original Indenture (the "New Trustee"); and

WHEREAS, in connection with the delivery of the New Credit Facility, the Institutions agreed to use their best efforts to effect an amendment to the Original Indenture to (i) add a new mandatory tender provision and (ii) grant the New Credit Provider and any future credit provider the ability to consent to amendments to the Original Indenture and the Loan Agreements that affect such credit provider's rights or obligations; and

WHEREAS, the new mandatory tender provision would provide that upon receipt of the New Trustee of notice from the credit provider that one or more Institutions have defaulted under their respective Reimbursement Agreements (as defined in the Original Indenture) and as a consequence thereof that portion of the Bonds representing such Institution's or Institutions percentage share of the Bonds then outstanding would be mandatorily tendered for purchase; and

WHEREAS, amending of the Original Indenture to include such additional mandatory tender in the Original Indenture would cause the Bonds to be "reissued" for tax purposes; and

WHEREAS, the Institutions, the New Remarketing Agent and the New Trustee have expressed their willingness to consent to such amendments; and

WHEREAS, the proposed amendments have been described in the Remarketing Memorandum No. 1 dated July 1, 2004 and the Remarketing Memorandum No. 2 dated July 28, 2004, each supplementing the Official Statement dated July 23, 1999, relating to the Bonds, and delivered to the owners of the Bonds in connection the delivery of the New Credit Facility and the appointments of the New Remarketing Agent and the New Trustee, respectively; and

WHEREAS, the Institutions have requested that the Authority authorize and approve the execution and delivery of a First Supplemental Trust Indenture (the "Supplemental Indenture"), supplementing and amending the Original Indenture, between the Authority and the New Trustee to effect such amendments, a copy of which has been prepared and presented to the members of the Authority; and

WHEREAS, the Institutions have requested that the Authority authorize and approve the execution and delivery of all other necessary documentation required to effect such amendments, including, without limitation, the execution and delivery of a Tax Exemption Certificate and Agreement among the Authority, the New Trustee and the Institutions, and an I.R.S. Form 8038 (the "8038 Form"); and

Section 4. That the Chairman, the Treasurer, the Executive Director, the Secretary, any Assistant Secretary and any other officer of the Authority be, and each of them hereby is, authorized to execute and deliver such documents, certificates, and undertakings of the Authority, including without limitation, the execution and delivery of the 8038 Form, and to take such other actions as may be required in connection with: the execution, delivery and performance of the Supplemental Indenture; effecting the amendments to the Original Indenture as provided herein; and the reissuance of the Bonds, all as authorized by this Resolution.

Section 5. That all acts of the officers, employees and agents of the Authority which are in conformity with the purposes and intent of this Resolution be, and the same hereby are, in all respects, ratified, approved and confirmed.

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Section 7. That all resolutions and orders, or parts thereof, in conflict herewith are hereby superseded to the extent of such conflict.

Section 8. That this Resolution shall be in full force and effect immediately upon its passage, as by law provided.

VENTURE CAPITAL MONITORING REPORT

The Illinois Venture Investment Fund made capital investments in two main categories:

- 1) Technology Development Bridge Fund
- 2) Fund-to-funds
 - Frontenac Illinois Venture Fund, L.P.
 - ARCH II Parallel Fund, L.P
 - Champaign-Urbana Venture Fund I
 - ARCH Development Fund I

Details of the investments follow.

1) TECHNOLOGY DEVELOPMENT BRIDGE PORTFOLIO

The Technology Development Bridge was created to solve a need for a developmental bridge between Illinois' early stage companies and its financial and corporate capital. The TDB provides "seed stage" equity financing to emerging technology companies in Illinois.

The Authority has invested in 31 companies through the Technology Development Bridge Fund totaling \$10,381,445 in matching investments.

STATISTICS

Cash Invested	\$10,381,455
Co-Investments	38,536,749
Total Investments	167,583,647
Leveraged	
Cash Returned	3,831,659
Written Off	4,631,297
Unrealized Gains	1,017,766
Portfolio Value* (Cash In plus Terminal Values)	9,456,670
IRR (including unrealized gains)	(4.6)%
IRR (excluding unrealized gains)	(11.0)%
Quarterly Return	0.8%

Portfolio Summary

As of June 30, 2004

(Terminal Value of Investments)

Company	Value
Active Investments	
Firefly Energy (10/03, 6/04)	917,000
zuChem (4/03, 5/04)	543,100
Mobitrac (5/02, 5/04, 6/04)	229,179
MC ² (3/02,3/03, 6/04)	500,000
Accelchip (11/01)	52,275
ClearStack Comb. (8/01)	300,000
Stonewater (8/01, 12/00)	4,759
Evantis (4/01, 8/00) – formerly MBC.com	754,520
Neuronautics (3/01)	300,000
UserActive (1/01)	220,000
ForestOne (8/00)	160,000
Open Channel Software (5/00)	610,035
IVMS – VideoHomeTours (4/00, 9/99)	275,000
Protez (1/00) – formerly Influx	150,000
SmartSignal (5/99, 3/98, 12/03))	226,932
Jesup & Lamont (5/99, 12/98) – formerly Venture Capital Online	-
NephRx (8/97)	121,211
Harmonic Vision (5/98, 12/96)	261,000
Sub-Total Active	5,625,011

Liquidated Investments

Cobotics (5/02)	179,763
PreviewPort (12/01) – out of business	0
Epigraph (5/01) (6/02)	0
GoReader (3/01, 10/00) – out of business	0
WanderOn (1/01) – out of business	87,544
Netzilient (7/00) – out of business	0
Proofspace (3/00) – out of business	0
Delivery Station (11/99) – out of business	0
Perceptual Robotics (6/99, 11/97) – sold to divine	20,157
Distributed Bits (4/99, 10/97)	1,944,195
ShopTalk (5/98)	0
Neodesic (3/98) – out of business	0
TouchSensor (11/97)	1,600,000
Sub-Total Liquidated	3,831,659
Portfolio Value	\$9,456,670

• Values in italics represent an unrealized gain.

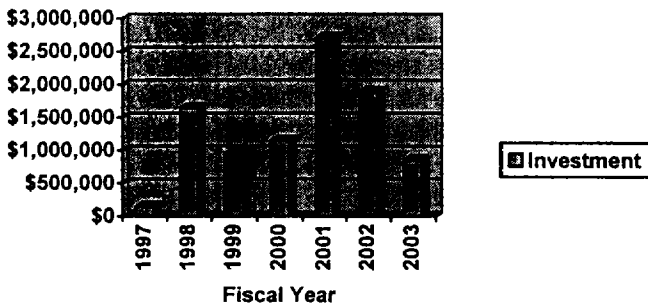
VALUATION ADJUSTMENTS

Valuation adjustments are determined on the basis of: additional stock offerings, fund-of-fund portfolio market determinations, and updates provided by the portfolio companies.

- The Authority made four investments totaling \$950,000 in Q2 2004. The Authority invested \$350,000 in Firefly Energy, \$250,000 in Mobitrac, \$100,000 in Metalforming Controls Corporation, and \$250,000 in zuChem, Inc.
- The Authority received a final cash distribution of \$16,045 from Cobotics, Inc.
- There was one valuation write-up in Q2 2004. *Stonewater Controls* was written up to \$4,759, reflecting the current value of the Authority's stock following the recapitalization.
- There was one valuation write-down during Q1 2004. *Mobitrac* was written down \$21,962 to \$229,179 - reflecting the current valuation from the impending Series C financing. This valuation was derived from its impending recapitalization.
- The value of the *SmartSignal* investment was adjusted downward \$49 to correct a previous error in the value of the Authority's stock.

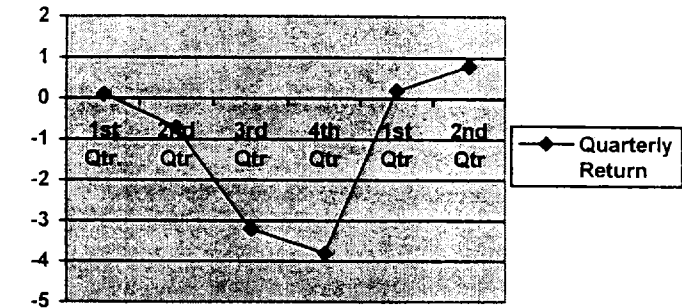
INVESTMENTS BY FISCAL YEAR

The following chart tracks investments by fiscal year.



QUARTERLY RETURN

Quarterly return results are shown in the graph below.



Q1-2003	0.1%
Q2-2003	(0.7)%
Q3-2003	(3.2)%
Q4-2003	(3.8)%
Q1-2004	0.2%
Q2-2004	0.8%

EVENTS OF NOTE

- *Accelchip* is in the process of raising an additional \$2-3M from its current investors to continue its commercialization efforts. The production version of the product was released in Q2 2004. The CEO is currently on leave for family reasons. Jim Petrasky, CFO, and InterWest and Greylock are managing day to day operations.
- On July 29, both the Chicago Tribune and the Chicago Sun-Times published stories about environmental groups urging the Governor to keep a campaign promise to reduce Illinois' coal emissions below federal levels, specifically mercury emissions. *ClearStack's* technology would fit directly into this niche. The Company is pursuing a grant from the Clean Coal Review Board to complete the engineering design for the retrofit of a coal-fired power plant in downstate Illinois.
- *Firefly Energy* closed on the first \$2.75M of its \$4M Series A round. Participating investors included Caterpillar, United Defense and the IFA. The Company has executed a term-sheet to raise the final \$1.25M from a local venture firm. Also, they are in the process of identifying a third product that potentially could be released earlier than the Advanced Battery.

- *ForestOne* continues to commercialize its GIS services. They have expanded from forestry products to navigation and land appraisals via satellite imagery. They doubled their revenues for the second straight year and are on pace to double them again in 2004, while maintaining its margins.
- *Protez* raised \$800,000 from Ben Franklin Technology Partners and BioAdvance, two State of Pennsylvania programs for start-up companies. The Company has maintained its research labs in the Chicago Technology Park.
- *Metalforming Controls Corp* continues to make progress with its major automotive customers. They have begun the High Strength Steel test for one of the major automotive companies and are very close to having the system "bugs" worked out to form the most difficult part of a car. The customer has indicated that they could save \$25 million per year, per part, in metal alone by using the Force Modulator.
- *Mobitrac* completed a \$1M Series B from Illinois VENTURES, Arch, IFA and Mentor Management to complete its beta test with a major shipping company and has executed a contract to provide services for at least one year. The Company has executed a term sheet with a major West Coast VC for \$2.4M and they are pursuing the remaining \$1.6M. The IFA Board has approved contributing up to \$200,000 in this round.
- *NephRx* recently received notification from the MTTC (an investment program of the Michigan Economic Development Corporation) that it will receive an \$800,000 investment to advance its renal peptide.
- *SmartSignal* continues to commercialize their technology. The Company is hosting its first annual Predictive Summit in September 2004 at the Hard Rock Hotel in Chicago.
- *Stonewater* was recently selected to be part of the Cook County Homeland Security project to monitor the status of a network of security-level signals. Also, they will be

monitoring the solar arrays at the Millennium Park in Chicago.

- Pat Brown recently left his CEO position at *UserActive*. Scott Gray, one of the original founders, has assumed the CEO position. They are in the process of releasing their SafePassage, internet security portal program (<http://vastrange.com>).
- *zuChem* recently received a \$200,000 from the Peoria Tri-County Venture Fund, in addition to several hundred thousand dollars from Peoria-area angel investors. The Company is continuing to pursue partnership options for both mannitol and xylitol.

JOBS CREATED

The active TDB portfolio currently employs 191 people.

2) FUND-TO-FUNDS PORTFOLIO

-FRONTENAC ILLINOIS VENTURE FUND, L.P. I (PLATINUM FUND)

Frontenac Illinois Venture Fund provided venture capital to technology companies, primarily in the Midwest. The venture capital fund scored two large returns with Chicago-based D-Visions Systems, Inc., manufacturers of computer-based digital editing systems, and VREAM Inc., developer of virtual reality authoring tools. IDFA made three contributions for a total amount of \$2,000,000 which represented IDFA's 1984 appropriation to support venture capital.

FY 1985	\$677,000
FY 1986	667,667
FY 1987	<u>633,333</u>
	\$2,000,000

Frontenac Illinois Venture Fund leveraged IDFA's investment with \$1.8 million of private funds from Illinois-based corporate pension funds (e.g. John Deere and Caterpillar) and funds directly managed by the Frontenac Company.

The Fund successfully distributed to its limited partners a substantial return on investment. Total distributions from the Frontenac Illinois Venture

Fund through FY 1995 were \$ 7,372,618, a net gain on the Illinois Venture Investment Fund of \$5,372,618.

- CERULEAN FUND I AND II

IDFA made two contributions to the Cerulean Funds: \$964,230 was made in 1990 to the Cerulean Fund I and \$1,035,770 in 1992 to the Cerulean Fund II.

The Cerulean Fund failed to yield any return on the investment and resulted in a total loss of investment.

-ARCH II PARALLEL FUND, L.P

IDFA made a series of investments totaling \$1,200,000 in this fund from January 1996 through December 1996. After failing to fully invest, at the request of the Board of Directors, the fund returned \$320,000 in March 1998 leaving \$880,000 under management.

The fund made six investments in five companies. IDFA cashed out of the investments in Nanophase Technologies and Eichrom Industries as they returned \$111,881 from investments of \$101,548. Codman Group and Internet Dynamics are valued at zero by fund management. Apropos Technologies (Nasdaq:APRS) went public and the fund owns 142,002 shares (cost \$1.42). As of June 30, 2004 the stock was valued at \$3.90 yielding a value of \$553,808.

-CHAMPAIGN-URBANA VENTURE FUND I

IDFA invested \$181,000 into the Champaign-Urbana Venture Fund (C/U Fund), managed by Cardinal-Fox Capital, in July 2000. The investment represented 11.6% ownership of the limited partnership interests in the fund. The C/U

Fund invested in five companies (NetZilient, Epigraph, UserActive, Pyxis Genomics (formerly Anigenics) and InterSymbol Communications). NetZilient (formerly Blackmon & Young), UserActive and Epigraph were funded through the TDB.

The fund fully invested its pool, and in March 2002, the CU Fund I was closed.

-ARCH DEVELOPMENT FUND I

IDFA has made four contributions in ARCH Development Fund I for a total amount of \$240,000. IDFA's board approved a \$300,000 investment into the fund in August 2000.

The Fund has now \$27,220,000 under management, but will remain open for investment through June 30, 2004. ARCH Development Fund currently has 14 companies in its portfolio. Six of these companies currently reside in Illinois. (ARCH portfolio: Adeptia, Arrayx, Mobitrac, Open Channel Software, SmartSignal, and zuChem). AccelChip, Mobitrac, NephRx, Open Channel, SmartSignal and zuChem were funded through the TDB.

ARCH Development Fund invested \$2,000,000 in NetFuel Ventures for acquisition of their investment portfolio, operations and personnel. They also closed an additional \$3,500,000 in stock from the University of Chicago portfolio.

The Fund was not successful in its efforts to obtain a license from the SBA under its SBIC program.

On March 16, 2004, Xcyte Pharmaceuticals priced its Initial Public Offering at \$8.00. As of June 30, 2004, the stock closed at \$4.40.

ILLINOIS INVESTMENT ACTIVITY

PricewaterhouseCoopers and Venture Economics, along with the National Venture Capital Association recently published the results of a survey of venture investment activities for Q2 2004. Nationally, investors participated in 761 deals totaling \$5.6 billion in Q2 2004, representing an increase over \$5.0 billion in Q1 2004 and \$5.4 billion in Q4 2004. According to the survey, quarterly investing "has drifted upward at a deliberate pace, ranging from \$4.3 billion to this quarter's high of \$5.6 billion."

Overall, 11 Illinois companies received \$132.1 million during Q2 2004. Illinois investors remain consistent with their investment strategy. These investors participated in 58 deals totaling \$580.3 million invested.

ILLINOIS			TDB		
QUARTER	# OF DEALS	\$ INVESTED		# OF DEALS	\$ INVESTED
Q4 2001	18	87,166,000		2	595,385
Q1 2002	22	72,288,100		1	300,000
Q2 2002	19	62,389,000		3	662,885
Q3 2002	8	43,150,000		0	0
Q4 2002	15	51,179,800		0	0
Q1 2003	15	76,132,000		1	\$100,000
Q2 2003	9	37,332,000		1	\$293,100
Q3 2003	8	32,300,000		0	0
Q4 2003	12	153,173,000		2	464,098
Q1 2004	NA	NA		0	0
Q2 2004	11	132,081,000		4	950,000

**GLOSSARY OF ACRONYMS
AND TERMS
USED BY IFA**

I. Terms commonly used in IFA write-ups

Bond Counsel	On financing team for Borrower
Issuers Counsel	Outside counsel to represent IFA
AD	Restructuring Ag Debt Guarantee
AL	Assisted Living
B	Business
CD	Conduit
CF	Coal Fired Power Plants
CL	Construction Loan Interim Financing
CP	Community Provider
DC	Distressed Cities
E	Education/Cultural
FF	Fund to Funds
FR	FreshRate
FT	Fire Truck Revolving Loan
GO	Local Government Obligation
GP	Local Government Pooled Bond
GR	Local Government Revenue Bond
H	Health Care

HO	Hospital
HF	Health Facility
I	Industrial
ID	Industrial Development Bonds
IF	Tax Increment Financing
IFA	Illinois Finance Authority
L	Local Government
LOC	A form of supplement or, in some cases, direct security for a municipal bond under which a commercial bank or private corporation guarantees payment on the bond under certain specified conditions
M	Mortgage
MH	Multifamily Housing
MS	Medical School
NP or FP	Not for Profit
NH	Nursing Home
P	Pollution Control
PC	Private College
Placement Agent/ Underwriter	Securities firm that purchases Bonds and places with investors. Engaged by Borrower
PF	Private Foundation

PL	Participation Loan
PO	Pollution Control/Environment
PS	Private School
Private Placement	Negotiated sale in which the new issue securities are sold directly to institutional or private investors rather than through a public offering.
PW	Pooled Warrant Program for School
RD	Rural Development
SD	Local School District
SG	Specialized Livestock Guarantee
SL	Senior Living
SS	Local Special Service Area
SW	Solid Waste
TA	Tax Anticipation Notes
TB	Technology Development Loan
TX	Taxable
RE	Refunding
UR	Water or Gas - Utility Revenue Bonds
V	Venture Capital
YF	Young Farmer Guarantee

II. General Bond and Financing Terms

Amortize	Retire the Principal of an issue by periodic payments either directly to bondholders, or first to a Sinking Fund and then to bondholders.
Arbitrage	Interest rate differential that exists when proceeds from a municipal bond which is tax-free and carries a lower yield are invested in taxable securities with a yield that is higher. THIS IS ILLEGAL solely as a borrowing tactic per 1986 Tax Reform Act.
Average Life	Average length of time an issue of serial bonds and/or term bonds with mandatory sinking funds and/or estimated prepayment is expected to be outstanding.
Basis Point	One one-hundredth of one percent (1/100% or 0.01 percent) 100 basis points equal one percent.
Capitalized Interest	A portion of the proceeds of an issue that is set aside to pay interest on the securities for a specified period of time.

Conduit Bonds	Bonds whose repayment is the responsibility of the business or developer who benefits from the financing, rather than the issuer who only collects the taxes, fees or revenues and passes them on to the bondholder.
Cost of Issuance	Expenses associated with the sale of new issue of municipal securities, including such items as underwriter" spread, printing, legal fees and rating costs.
Covenant	Legally binding commitment by the issuer of municipal bonds to the bondholder.
Debt Ratio	Ration of the issuer's general obligation debt to a measure of value, such as real property valuations, personal income, general fund resources, or population.
Debt Service	Required payments for principal and interest.
Debt Service Fund	Separate account in the overall sinking fund into which moneys are placed to be used to redeem securities, by open-market purchase, request for tenders or all, in accordance with a redemption schedule in the bond contract.
Default	Breach of some covenant, promise or duty imposed by the bond contract – failure to pay in a timely manner principal and/or interest when due.
Direct Sale	Sale of new security by the issuer to investors, bypassing the underwriter or middleman.

Face Value	Stated principal amount of a bond
Fiscal Agent	Also known as Paying Agent – bank, designated by the issuer to pay interest and principal to the bondholder.
Fixed-interest	Bond with an interest rate that stays the same over its life span.
Floater	Variable rate – Method of determining the interest to be paid on a bond issue by reference to an index or according to a formula or other standard of measurement at intervals as stated in the bond contract.
GO	General Obligation Bonds – voter approved bonds – backed by the full faith, credit and unlimited taxing power of the issuer
Indenture	Bond Contract – states time period for repayment; amount of interest paid etc.
Maturity	Length of time before the principal amount of a bond is due to the bondholders. It is the time until a bond may be surrendered to its issuer.
MO	Moral Obligation Bonds – sold by state without voter approval and are used for specific purposes – in the event of a shortfall, it is implied that the state will make up the difference.

OS	Official Statement – Prospectus document circulated for an issuer prior to a bond sale with salient facts regarding the proposed financing. There are two: Preliminary/or Red Herring because some of the type on its cover is printed in red and, (it is subject to final change and update upon completion of sale of bonds) it is supposed to be available to the investor before the sale; Final OS must be sent to the purchaser before delivery of the bonds.
Par Value	Face value of bond – generally \$1000
Pari Passu	Equitably and without preference – all equal
Principal	Amount owed; face value of a debt
Public Offering	Sale of bonds (generally through an underwriter) to the general public (or a limited section of the general public).
Refunding Bond	Issuance of a new bond for the purpose of retiring an already outstanding bond issue.
Revenue Bond	Municipal Bond whose debt service is payable solely from the revenues derived from operating the facilities acquired or constructed with the proceeds of the bonds
Secondary Market	Trading market for outstanding bonds and notes.

Serial Bond	Bond of an issue that features maturities every year, annually or semiannually over a period of years, as opposed to a Term Bond, which is a large block of bonds maturing in a single year.
Sinking Fund	Fund established by the bond contract of an issue into which the issuer makes periodic deposits to assure the timely availability of sufficient moneys for the payment of debt service requirements.
State & Local Government Series	United States Treasury obligations, which take the form of Treasury Notes, Treasury Bonds or Treasury Certificates of Indebtedness. The US Government created a “State & Local Government Series” of such notes, bonds and certificates to allow municipal bond proceeds to be put into “permitted” investments which would comply with IRS arbitrage provisions, and to not engage in “yield burning”.
Swap	Exchange of one bond for another. Generally, act of selling a bond to establish an income tax loss and replacing the bond with a new item of comparable value.
Tax-Exempt Bond	Bonds exempt from federal income, state income, or state tax and local personal property taxes. States do not tax instruments of the federal government and the federal government does not tax interest of securities of state and local governments.

Technical Default	Failure by the issuer to meet the requirement of a bond covenant. These defaults do not necessarily result in losses to the bondholder. The default may be cured by simple changes of policy or actions by the issuer.
Term Bond	Bonds comprising a large part of all of a particular issue that come due in a single maturity.
Trust Indenture	Contract between the issuer of municipal securities and a trustee, for the benefit of the bondholders.
Trustee	Bank designated as the custodian of funds and official representative of bondholders. Trustees are appointed to insure compliance with the trust indenture and represents bondholders to enforce their contract with the issuer.
Underwrite	Agreement to purchase an issuer's unsold securities at a set price, thereby guaranteeing the issuer proceeds and a fixed borrowing cost.
Underwriter	Dealer that purchases a new issue of securities for resale.
Variable Rate Demand Bond	Bond whose yield is not fixed but is adjusted periodically according to a prescribed formula.
Yield	Measure of income generated by a bond
Yield to Maturity	Rate of return anticipated on a bond held until maturity

**Illinois Finance Authority
Market and Product Codes**

Market	Market Code	Submarket	Submarket Code	Type of Product	Type Code
Industrial	I	Industrial Development Bonds	ID	Tax Exempt	TE
		Utility Revenue Bonds	UR	Taxable	TX
Mortgage	M	Multifamily Housing	MH	Refinancing	RE
		FreshRate	FR	Conduit	CD
				Non-Conduit	NC
Pollution Control	P	Solid Waste	SW	Moral Obligation	MO
		Pollution Control	PO	Tech Devl Loan	TD
		Coal Fired Power Plants	CF	Fund to Funds	FF
Business	B	Loans	LL	Guaranteed	GT
		Rural Devel Loan	RD		
Agriculture	A	Young Farmer Guarantee	YF		
	A	Specialized Livestock Guar	SG		
	A	Restructuing Ag Debt Guar	DR		
	A	Ag Industry	AI		
	A	Beginning Farmer Bond	FB		
	A	Beginning Farmer Contract Bond	CB		
Venture Capital	V				
Education/Cultural	E	Private School	PS		
		Private College	PC		

Market	Market Code	Submarket	Submarket Code	Type of Product	Type Code
		Private Foundation	PF		
Local Government	L	Local Gov. Obligation	GO		
		Local Gov. Pooled Bond	GP		
		Local Gov. Revenue	GR		
		Tax Increment Financing	IF		
		Local School District	SD		
		Local Special Service Area	SS		
		Distressed Cities	DC		
		Tax Anticipation Notes	TA		
		Construction Loan Interim Fin	CL		
		Fire Truck Revolving Loan	FT		
		Pooled Warrant Program for Schools	PW		
Health Care	H	Hospital	HO		
		Assisted Living	AL		
		Nursing Home	NH		
		Senior Living	SL		
		Community Provider	CP		
		Health Facility	HF		
		Medical Schools	MS		
Other non-profits	N	Other types of non-profits	NP		