

September 14, 2010

TO: William A. Brandt, Jr., Chairman
Dr. William Barclay
Ronald E. DeNard
James J. Fuentes
Edward H. Leonard, Sr.
Terrence M. O'Brien
Juan B. Rivera

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

RE: Message from the Executive Director

Dear Members of the Authority:

Leveraging our experience and expertise, the Illinois Finance Authority (“IFA”) works to provide innovative financing solutions for our borrowers and the people of Illinois. This month, we are able to highlight three examples where the IFA has worked with our borrowers and other financing partners to eliminate obstacles and bring projects to successful conclusions.

First, under the leadership of Governor Pat Quinn and through cooperative partnerships with both the Illinois General Assembly and counties and cities across Illinois, IFA is successfully encouraging the use of federal Recovery Zone Bonds before this program expires. Second, after years of effort, IFA is proud to be a partner with a new Continuing Care Retirement Community as it breaks ground on new construction. Third and finally, we are pleased to share in the celebration of a newly-opened union training facility on re-used industrial property in Chicago.

Encouraging Recovery Zone Financing – before it expires

1. Navistar

We are very pleased to present to the Board the \$145 million tax-exempt conduit financing of the Navistar headquarters project in Lisle along with a warehouse facility in Joliet for one-time final consideration. The Navistar project will be financed through Recovery Zone Facilities Bonds (“RZFB”), a federal Stimulus program that expires at the end of this calendar year. On September 8, Governor Pat Quinn announced that Navistar’s corporate world headquarters will remain in Illinois. The IFA RZFB bond financing complements the investment package provided by the State of Illinois through the Department of Commerce and Economic Opportunity (“DCEO”) to Navistar.

The Recovery Zone program makes reduced cost, federally tax-exempt financing available to large-scale corporate job retention and creation projects like Navistar that would not usually qualify for such financing.

As originally enacted by Congress, the IFA was not involved in this important program. The expanded Recovery Zone tax-exempt bonding authority or “volume cap” was distributed by the federal government directly to the 102 counties and the eight Illinois cities with populations over 100,000. However, the counties and cities that received Recovery Zone authorization had no

means to share or pool these resources if they could not or would not use the RZFB authorization. This program flaw hindered the maximum use of this potentially important job retention/creation program.

In his December 2009 Economic Recovery Plan, Governor Quinn announced that would seek legislation to consolidate and ensure the use of the Recovery Zone resources. The result was Public Act 96-1020 (HB 2369; Mautino-Bradley-Moffitt-Yarbrough-Chapa-LaVia; Wilhelmi-Koehler-Althoff-Hendon) that was signed into law on July 10, 2010. IFA then began encouraging the 110 counties and cities that had received Recovery Zone authorization to use it or cede it to the IFA before the program expired on December 31, 2010. As part of this effort, IFA will soon be regularly reporting to the General Assembly on the use to date of the Recovery Zone resources.

As a result, the IFA was ready with the proper tools when low-cost financing was needed as part of the State's job retention and creation investment package for Navistar. We look forward to continuing to work with Navistar to bring this project to a successful conclusion. We also thank that numerous counties and cities that are working to pool their Recovery Zone volume cap with IFA to support Navistar's financing. Finally, we urge those counties and cities that cannot or will not use their Recovery Zone resources to waive their allocations to the IFA so this important, yet expiring resource, can be used to put people to work in Illinois.

2. Annex II

While the Recovery Zone program is both relatively complex and new for the IFA, we already have a success. In close partnership with Monroe and Randolph counties, the IFA closed the \$4.585 million Annex II project on August 24, 2010. This bond issue financed the re-use of caves and tunnels created by an abandoned limestone quarry located in the bluffs near the Mississippi River in Valmeyer in southwestern Illinois into a military records storage facility. Without IFA's pooled Recovery Zone program, Annex II would not qualify for federally tax-exempt conduit financing.

Continuing Care Retirement Communities – Important to Our Future

As our population ages, CCRCs are destined to play a larger, more important role in our economy in general and in the operations of the IFA in particular. IFA has long been a leader in the financing of CCRCs and, since July 1, 2010, the IFA has closed three CCRC bond financings: The Clare at Water Tower Place in Chicago; Christian Homes in Central Illinois; and Greenfields of Geneva in Kane County. Given the importance of the CCRC sector, we have begun to identify CCRC financings separately from traditional healthcare financings in the attached list of "Bonds Issued and Outstanding."

The Greenfields project, a CCRC, is an example of the many successful long-term partnerships between the IFA and its borrowers. Friendship Village of Schaumburg, the parent of the Greenfields project, has been a longtime and valued partner of the IFA. When Friendship Village planned a new CCRC project, Greenfields, it faced difficulties in obtaining pre-construction financing. Using an innovative structure, Bond Anticipation Notes ("BANs"), Greenfields was able to fund pre-construction development costs through IFA financing in 2007 and 2008. On August 31, the \$117.6 million Greenfields project closed and the IFA BANs were retired. Greenfields would not be under construction today in Kane County had IFA not been willing to approve the BANs.

Training Workers – Close to Where They Live

Located in the Austin neighborhood on Chicago's Westside, the Chicagoland Laborers' District Council state-of-the-art union training facility stands out as a creative IFA conduit project. The training facility is expected to train up to 3000 people annually. The innovative IFA financing on this \$22.5 million project closed in 2008.

On September 10, the Laborers inaugurated the newly-opened facility with a ribbon cutting ceremony attended by Governor Quinn, Mayor Daley, Senate President Cullerton, House Speaker Madigan, 29th Ward Alderman Deborah Graham as well as national and local leadership of the Laborers' union. Not only does this project place long dormant industrial property back into productive use, but it places union training opportunities within a convenient commute of residents of the City of Chicago and Cook County's western suburbs.

Conclusion

We congratulate our Chairman, William A. Brandt, Jr. and our Vice-Chairman, Michael W. Goetz on their re-appointment to our Board by Governor Pat Quinn. We also welcome our newest Board member, Heather Parish. Finally, we thank Roderick Bashir for his service on the IFA Board and wish him luck in his new assignment on the Illinois State Board of Investments.

I look forward to working with you and all of the Board members as work to continue our record of innovative successes.

Respectfully,





Christopher B. Meister

Attachments:

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

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

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

Item Number	Description	Percentage Completed
		10 20 30 40 50 60 70 80 90 100
Total Number of 4		
FY 09 Immaterial Findings		
IM09-01	Failure to Report Revenue Bond Information to the Illinois Office of the Comptroller	
IM09-02	Inaccurate Agency Report of State Property (C-15)	
IM09-03	Lack of Disaster Contingency Testing to Ensure Recovery of Computer Systems	
IM09-04	Weaknesses Regarding the Security and Control of Confidential Information	

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

Number of Material Findings - 1

Item Number	Description	Finding Type	Comments	Percentage Completed										
Government Auditing Standards:				10	20	30	40	50	60	70	80	90	100	
09-01	Valuation of Venture Capital Investments	Significant Deficiency	Auditor Recommendation: The IFA has not had an independent valuation of its venture capital investments since fiscal year 2006. We recommend the Authority obtain an independent valuation of the investment portfolio periodically in order to support the a											

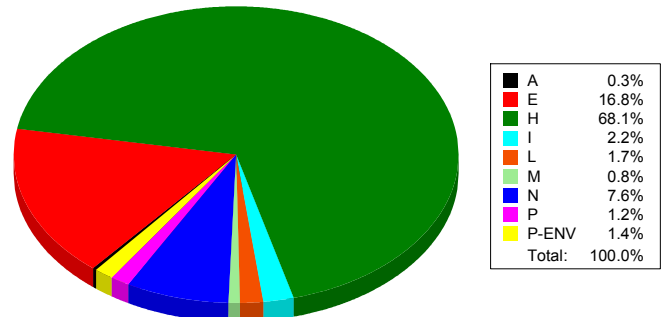


Bonds Issued and Outstanding as of August 31, 2010

Bonds Issued Since Inception

#	Market Sector	Principal Amount (\$)
9	Agriculture	58,298,835
97	Education	3,806,258,100
308	Healthcare *	15,458,793,508
73	Industrial	495,940,669
26	Local Government	376,160,000
19	Multifamily/Senior Housing	175,417,900
129	501(c)(3) Not-for Profits	1,709,398,195
8	Exempt Facilities Bonds	275,700,000
9	Environmental issued under 20 ILCS 3515/9	326,630,000
		\$ 22,682,597,207

Bonds Issued Since Inception

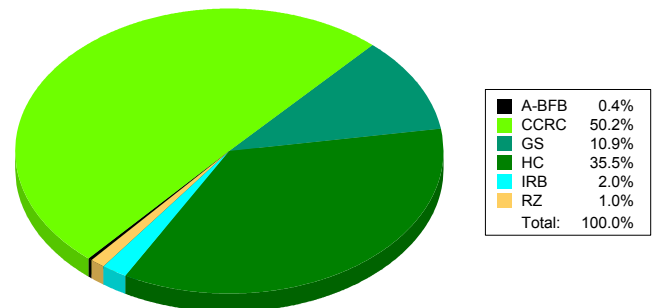


* Includes CCRC's

Current Fiscal Year

#	Market Sector	Principal Issued
	Agriculture - Beginner Farmer	1,716,251
	Healthcare - CCRC	230,105,000
	Gas Supply	50,000,000
	Healthcare	162,925,000
	Industrial Revenue	9,230,000
	Recovery Zone	4,585,000
		\$ 458,561,251

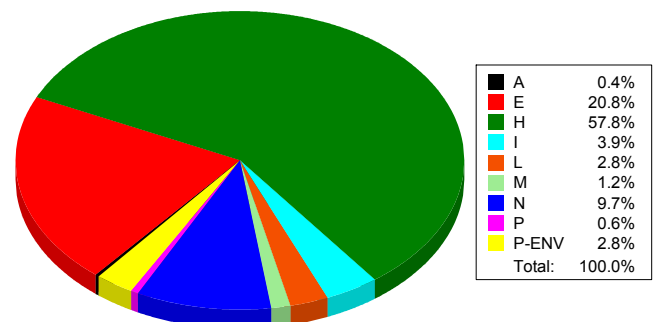
Bonds Issued - Current Fiscal Year



Schedule of Bonds Outstanding by Market Sector

Market Sector	Amount of Original Issue	Principal Outstanding
Agriculture	296,768,541	90,163,285
Education	5,527,345,730	5,111,197,417
Healthcare *	16,245,807,337	14,235,522,334
Industrial	1,163,140,669	965,978,214
Local Government	1,133,324,413	678,199,169
Multifamily/Senior Housing	742,915,396	304,339,831
501(c)(3) Not-for Profits	2,872,924,996	2,395,772,714
Exempt Facilities Bonds	155,360,000	155,360,000
Environmental issued under 20 ILCS 3515/9	770,475,000	688,409,670
		\$ 24,624,942,634
		\$ 28,908,062,082

Principal Outstanding by Market Sector



* Includes CCRC's

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

<u>Bond Issue</u>	<u>Date Issued</u>	<u>Initial Interest Rate</u>	<u>Principal Issued</u>	<u>Bonds Refunded</u>
A-BFB Beginner Farmer Bonds, Series 2011	07/01/2010	Various-See Below	1,716,251	0
HC NorthShore University HealthSystem, Series 2010	07/14/2010	2.00% to 5.25%	136,425,000	115,800,000
CCRC The Clare at Water Tower, Series 2010A&B	07/15/2010	5.10% to 6.125%	87,505,000	87,505,000
CCRC Christian Homes, Inc., Series 2010	07/29/2010	3.40% to 6.125%	25,000,000	8,090,000
IRB Bison Gear & Engineering Corporation, Series 2010	07/29/2010	VRB 0.32%	9,230,000	0
HC Institute for Transfusion Medicine, Series 2010	07/29/2010	VRB 3.60%	26,500,000	0
GS Peoples Gas Light and Coke Company, Series 2010	08/18/2010	VRB - 2.125%	50,000,000	0
RZ Annex II, LLC - Rock City Development, Series 2010	08/24/2010	6.00%	4,585,000	0
CCRC Greenfields of Geneva, Series 2010A-C	08/31/2010	7.50% to 8.25%	117,600,000	9,185,000
Total Bonds Issued in Fiscal Year 2011			\$ 458,561,251	\$ 220,580,000

Legend: Fixed Rate Bonds as shown

DP-VRB = initial interest rate at the time of issuance on a Direct Purchase Bond

VRB = initial interest rate at the time of issuance on a Variable Rate Bond that does not include the cost of the LOC arrangement.

Beginner Farmer Bonds interest rates are shown in section below.

Beginner Farmer Bonds

<u>Borrower</u>	<u>Date Funded</u>	<u>Initial Interest Rate</u>	<u>Loan Proceeds</u>	<u>Acres</u>	<u>County</u>
Stortzum, Brent A.	07/21/2010	4.25%	157,500	38.00	Effingham
Tolley, Daniel Steven	07/23/2010	4.50%	106,900	82.30	Knox
Smithenry, Eric J.	07/30/2010	4.25%	135,000	20.00	Jasper
Will, Richard & Linda	07/30/2010	4.00%	206,712	71.30	Cumberland
Justison, David M.	07/30/2010	4.25%	249,736	106.00	Montgomery
Justison, Keri L.	07/30/2010	4.25%	249,736	106.00	Montgomery
Stinnett, Sean & Cheryl	08/05/2010	4.75%	224,000	52.84	Macoupin
Alt, James & Jo Ellen	08/12/2010	4.00%	102,667	26.67	Vermilion
Alt, Lawrence & Loretta	08/12/2010	4.00%	100,000	26.67	Vermilion
Kopplin, Seth A.	08/16/2010	4.00%	184,000	73.62	Effingham
Total Beginner Farmer Bonds Issued			\$ 1,716,251	603.40	

ILLINOIS FINANCE AUTHORITY
Schedule of Debt ^[a]

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

Section I (a)		Principal Outstanding		Program Limitations	Remaining Capacity
		June 30, 2010	August 31, 2010		
Illinois Finance Authority "IFA"					
289	Agriculture	\$ 46,455,000	\$ 48,109,000		
88	Education	3,721,552,000	3,712,129,000		
220	Healthcare	10,850,978,000	11,204,489,000		
63	Industrial Development	345,870,000	405,798,000		
21	Local Government	264,060,000	264,060,000		
18	Multifamily/Senior Housing	157,979,000	157,765,000		
95	501(c)(3) Not-for Profits	1,313,239,000	1,303,913,000		
5	Exempt Facilities Bonds	130,500,000	130,500,000		
799	Total IFA Principal Outstanding	\$ 16,830,633,000	\$ 17,226,763,000		
Illinois Development Finance Authority "IDFA" ^[b]					
4	Education	42,196,000	42,196,000		
6	Healthcare	404,660,000	288,860,000		
74	Industrial Development	562,917,000	560,195,000		
35	Local Government	386,034,000	386,034,000		
16	Multifamily/Senior Housing	147,219,000	146,575,000		
103	501(c)(3) Not-for Profits	1,025,002,000	1,016,600,000		
1	Exempt Facilities Bonds	24,860,000	24,860,000		
235	Total IDFA Principal Outstanding	\$ 2,592,888,000	\$ 2,465,320,000		
Illinois Rural Bond Bank "IRBB" ^[b]					
18	Bond Bank Revenue Bonds	26,385,000	25,715,000		
1	Conduit Debt	2,390,000	2,390,000		
19	Total IRBB Principal Outstanding	\$ 28,775,000	\$ 28,105,000		
106	Illinois Health Facilities Authority "IHFA"	\$ 2,908,471,000	\$ 2,742,173,000		
49	Illinois Educational Facilities Authority "IEFA"	\$ 1,446,134,000	\$ 1,432,132,000		
561	Illinois Farm Development Authority "IFDA" ^[f]	\$ 42,055,000	\$ 42,055,000		
1,769	Total Illinois Finance Authority Debt	\$ 23,848,956,000	\$ 23,936,548,000	\$ 28,150,000,000	\$ 4,213,452,000

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

Section I (b)		Principal Outstanding		Program Limitations	Remaining Capacity
		June 30, 2010	August 31, 2010		
General Purpose Moral Obligations					
Illinois Finance Authority Act [20 ILCS 3501/801-40(w)]					
18	Issued through IRBB	\$ 26,385,000	\$ 25,715,000		
9	Issued through IFA	68,000,000	68,000,000		
27	Total General Moral Obligations	\$ 94,385,000	\$ 93,715,000	\$ 150,000,000	\$ 56,285,000
Financially Distressed Cities Moral Obligations					
Illinois Finance Authority Act [20 ILCS 3501/825-60]					
1	Issued through IFA	\$ 2,395,000	\$ 2,395,000		
1	Issued through IDFA	4,660,000	4,660,000		
2	Total Financially Distressed Cities	\$ 7,055,000	\$ 7,055,000	\$ 50,000,000	\$ 42,945,000
State Component Unit Bonds ^[c]					
18	Issued through IRBB	\$ 26,385,000	\$ 25,715,000		
1	Issued through IDFA	14,580,000	14,580,000		
1	Issued through IFA	4,863,000	4,233,000		
20	Total State Component Unit Bonds	\$ 45,828,000	\$ 44,528,000		

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

Section I (c)		Principal Outstanding		Program Limitations	Remaining Capacity
		June 30, 2010	August 31, 2010		
Midwest Disaster Bonds [Flood Relief]		\$ -	\$ -	\$ 1,515,271,000	\$ 1,515,271,000

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

Section II		Principal Outstanding		Program Limitations	Remaining Capacity
		June 30, 2010	August 31, 2010		
Illinois Power Agency		\$ -	\$ -	\$ 4,000,000,000	\$ 4,000,000,000

ILLINOIS FINANCE AUTHORITY
Schedule of Debt ^[a]

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

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

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

Section IV		Principal Outstanding		Program Limitations	Remaining Capacity	State Exposure
		June 30, 2010	August 31, 2010			
Agri Debt Guarantees [Restructuring Existing Debt]		\$ 20,602,000	\$ 19,807,000	\$ 160,000,000	\$ 140,193,000	\$ 16,796,000
99	Fund # 994 - Fund Balance \$ 9,940,751					
AG Loan Guarantee Program		\$ 47,229,000	\$ 46,159,000	\$ 225,000,000 ^[e]	\$ 178,841,000	\$ 33,396,000
57	Fund # 205 - Fund Balance \$ 7,651,586					
12	Agri Industry Loan Guarantee Program	\$ 11,104,419	\$ 10,869,000			9,238,000
1	Renewable Fuels	24,444,583	24,174,000			14,710,000
1	Farm Purchase Guarantee Program	490,823	491,000			417,000
31	Specialized Livestock Guarantee Program	8,625,470	8,063,000			6,853,000
12	Young Farmer Loan Guarantee Program	2,563,535	2,562,000			2,178,000
156	Total State Guarantees	\$ 67,831,000	\$ 65,966,000	\$ 385,000,000	\$ 319,034,000	\$ 50,192,000

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

Section V		Fund #	Principal Outstanding		Appropriation Fiscal Year 2011	Fund Balance
			June 30, 2010	August 31, 2010		
116	Fire Truck Revolving Loan Program	572	\$ 18,730,135	\$ 18,722,635	\$ 6,003,342	\$ 1,233,367
10	Ambulance Revolving Loan Program	334	\$ 993,200	\$ 933,200	\$ 7,006,800	\$ 3,134,998

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

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

Section VI		Principal Outstanding		Program Limitations	Remaining Capacity
		June 30, 2010	August 31, 2010		
Environmental [Large Business]					
9	Issued through IFA	316,440,000	\$ 316,360,000		
21	Issued through IDFA	372,065,000	372,050,000		
30	Total Environmental [Large Business]	\$ 688,505,000	\$ 688,410,000	\$ 2,425,000,000	\$ 1,736,590,000
Environmental [Small Business]					
30	Total Environment Bonds Issued under Act	\$ 688,505,000	\$ 688,410,000	\$ 2,500,000,000	\$ 1,811,590,000

Illinois Finance Authority Funds at Risk

Section VII	#	Original Amount	Principal Outstanding	
			June 30, 2010	August 31, 2010
	Participation Loans			
63	Business & Industry	23,020,157.95	17,018,322.85	16,727,172.16
25	Agriculture	6,079,859.01	4,969,295.79	4,919,351.18
88	Total Participation Loans	\$ 29,100,016.96	\$ 21,987,618.64	\$ 21,646,523.34
1	Illinois Facility Fund	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00
4	Local Government Direct Loans	\$ 1,289,750.00	\$ 309,303.50	\$ 309,303.50
6	FmHA Loans	\$ 963,250.00	\$ 495,772.95	\$ 480,084.38
2	Renewable Energy [RED Fund]	\$ 2,000,000.00	\$ 1,755,664.28	\$ 1,741,361.20
101	Total Loans Outstanding	\$ 34,353,016.96	\$ 25,548,359.37	\$ 25,177,272.42

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

[b] State Component Unit Bonds included in balance.

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

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

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

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

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