

November 14, 2013

TO: William A. Brandt, Jr., Chairman  
Dr. William Barclay  
Gila J. Bronner  
James J. Fuentes  
Norman M. Gold  
Lerry Knox  
Edward H. Leonard, Sr.  
Carmen Lonstein

Michael W. Goetz, Vice-Chairman  
Terrence M. O'Brien  
Heather D. Parish  
Mayor Barrett F. Pedersen  
Roger Poole  
Mordecai Tessler  
Bradley A. Zeller

RE: Message from the Executive Director

Dear Members of the Authority:

***Governor Quinn's Clean Water Initiative Coming to Market***

For the first time in nearly a decade, the Illinois Finance Authority (“Authority”) will access the tax-exempt capital markets for the State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds when retail orders are taken and institution pricing occurs in the coming days. Recently, Fitch Ratings announced that the Clean Water Initiative Revolving Fund Revenue Bonds earned the ‘AAA’ rating – the highest possible ranking. This news follows Standard & Poor’s Ratings Service assignment of its ‘AAA’ rating to the Bonds last week.

Bond proceeds will fund loans made by the Illinois Environmental Protection Agency (“IEPA”) to units of local government in the State to finance eligible wastewater treatment and sanitary sewerage facilities (the “Clean Water Program”) and drinking water facilities (the “Drinking Water Program” and together with the Clean Water Program”, the “SRF Program”) for federal fiscal years 2011, 2012 and 2013.

Bond proceeds will also refund outstanding bonds of the Authority for the benefit of IEPA’s SRF Program. By refunding the outstanding bonds and shifting to a new Master Trust Indenture, the transaction will also free up nearly \$50 million currently held in a debt service reserve fund. The transaction will likewise generate sufficient revenue to provide matching funds equal to twenty percent (20%) of the amount received in federal capitalization grants for the SRF Program (the “State Match”) for federal fiscal years 2011 through 2013. By freeing up the reserve and paying for three years of the State Match, the Illinois General Assembly will not have to appropriate scarce taxpayer dollars or scarce Illinois capital fund dollars.

Importantly, the Authority is not solely acting as a conduit or facilitator in this transaction, but rather is managing the Bond financing – with the duties and responsibilities that correspond with such status. While the IEPA remains the SRF Program administrator, the Authority will now have increased duties and obligations; accordingly, the Authority will be compensated for these new responsibilities, which include heightened management and disclosure duties. This vital work will be led by Authority CFO Dennis Anosike and his team.

This would not have been possible without the leadership and tireless work of my colleague in Governor Quinn's cabinet, IEPA Director Lisa Bonnett, and her team. Nor would this have been possible without a sustained team effort by Authority staff. Of special note, Sohair, Pam, Rich, Dennis and Brad as well as Terrell, Nora, Mari and Norma have all worked to get us to this important point. We hope that this will be the first of many bond issuances under Governor Quinn's Clean Water Initiative.

***PACE Seeking Assistance***

On this month's agenda, I would like to call to your attention a request by the Suburban Bus Division ("PACE") of the Regional Transportation Authority ("RTA"). PACE has requested the Authority's assistance in borrowing funds for certain projects authorized by its Board and State law. As a result, we are requesting authorization to enter into an Intergovernmental Agreement with PACE pursuant to which the Authority will issue its bonds and loan the proceeds thereof to PACE and also select and retain persons to provide various professional services. This undertaking is subject to the approval of the RTA.

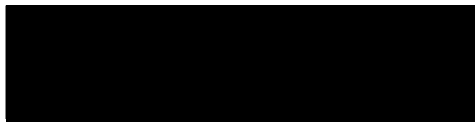
***Defeasance of Series 2010 East St. Louis Bonds***

Also on this month's agenda, the City of East St. Louis is seeking approval for the Authority to provide Irrevocable Direction to The Bank of New York Mellon Trust Company, N.A. to utilize moneys the Trustee has on deposit for the full repayment of principal and interest on outstanding Authority Revenue Refunding Bonds, Series 2010 (City of East S. Louis Project). The Series 2010 Bonds will be the only outstanding bonds of the Authority on behalf of the City because the Series 2003 Bonds and the Series 2005 Bonds mature as of November 15, 2013. Therefore, this Irrevocable Direction will enable the defeasance of the Indenture and end the City's reporting obligation to provide balanced budgets and audits to the East St. Louis Financial Advisory Authority and to the Illinois Finance Authority as required under the Illinois Financially Distressed City Law.

***Senate Confirmation of Roger Poole***

Finally, we are very pleased to announce that the Illinois Senate confirmed Governor Quinn's appointment of Roger Poole on October 23, 2013. On behalf of the Members and the staff of the Authority, we thank you for your commitment to public service and we look forward to working with you in support of jobs and financing capital expansion projects throughout our great state.

Respectfully,



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Christopher B. Meister  
Executive Director

Attachments:

Attachment 1 - Monthly Bonds Activity Report