

December 10, 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

On December 5, 2013, the Illinois Finance Authority ("Authority") and the Illinois Environmental Protection Agency ("IEPA"), working in close partnership, closed the financing of \$141.7 million State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2013 ("Clean Water Initiative Bonds"). This represents an important step towards realizing Governor Quinn's \$1 billion goal for the Illinois Clean Water Initiative that he announced on October 18, 2012, the 40th anniversary of the federal Clean Water Act, with former United States Environmental Protection Agency Administrator Lisa Jackson at Chicago's Shedd Aquarium. The Authority and IEPA anticipate that this will be the first of many future bond issuances under the Clean Water Initiative.

The Clean Water Initiative Bonds are rated "AAA" by Fitch and S&P. The total interest cost, including transactional costs, was 1.87%. The bonds were oversubscribed by almost three times. The Clean Water Initiative Bonds will roughly double IEPA's program capacity from \$400 million to just under \$800 million by freeing reserve funds through refinancing of 2002 and 2004 bonds and accessing federal grants through bond proceeds rather than scarce State appropriations. To quote Paul Merrion of Crain's Chicago Business on this transaction, "there is still a small corner of Illinois government where the sun is shining, birds are chirping and the bonds are rated AAA." *Illinois Taps Squeaky Clean Water Bonds*, November 18, 2013.

Governor Quinn's Clean Water Initiative dramatically expands the capacity of IEPA's low interest (1.995%) loan program to Illinois communities for water infrastructure projects. Importantly, the Clean Water Initiative will accomplish three goals:

- Put thousands of women and men of the unionized buildings and trades to work;
- Save local taxpayers money; and

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- Help preserve our State's finite fresh water resources – an important competitive advantage for Illinois in the global economy.

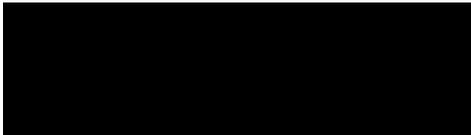
The Clean Water Initiative Bonds would not have been successful without the diligence and commitment of the staffs of both the IEPA and the Authority as well as a collegial team of financial professionals. Thanks to all of the team members that put this transaction together as well as to each of you, the Members of the Authority, for your support of the Governor's Clean Water Initiative.

Dr. Barclay – thank you for your public service

Dr. Bill Barclay joined the Authority Board in June of 2007. He has served continuously as the Chair of the Authority's Healthcare Committee, an extremely critical position for us. Dr. Barclay's service with the Authority has been marked by wisdom and by a passionate commitment to fairness and equity as well as his recognition of our obligation as a public agency to reflect the diversity of Illinois. We thank you for your service to the Authority and wish you an enjoyable and well-earned retirement.

I look forward to continuing to work with you in support of jobs and financing capital expansion projects throughout our great state.

Respectfully,



—
Christopher B. Meister
Executive Director