

December 14, 2010

TO: William A. Brandt, Jr., Chairman
Dr. William Barclay
Gila J. Bronner
Ronald E. DeNard
John E. Durburg
James J. Fuentes
Norman M. Gold
Dr. Roger D. Herrin

Michael W. Goetz, Vice Chairman
Edward H. Leonard, Sr.
Joseph McInerney
Terrence M. O'Brien
Heather D. Parish
Roger E. Poole
Bradley A. Zeller

RE: Message from the Executive Director

Dear Members of the Authority:

As calendar year 2010 concludes, the staff of the Illinois Finance Authority (“IFA”) wishes the Board and all of our financing partners a happy and safe holiday season. We anticipate providing a full report of the IFA’s activities and closed projects for Calendar Year 2010 as well as goals for Calendar Year 2011 in the January Message from the Executive Director.

The December 2010 Project Agenda

This month’s project agenda is driven primarily by the IFA’s effort to close deals that provide borrowers with access to the several federal conduit financing tools scheduled to expire at the end of 2010. These tools include:

1. The Recovery Zone Program;
2. Bank Qualified Bonds (i.e., Qualified Tax-Exempt Bonds);
3. Federal Home Loan Bank Letter of Credit; and
4. Alternative Minimum Tax Exemption on private activity bonds.

In addition, the IFA also continues to advocate for the reinstatement of the federal extension of the biodiesel blenders tax credit which expired at the end of 2009.

IFA has devoted considerable resources to educating our borrowers and our finance partners on the job retention/job creation benefits of these tools. We have also done our part to educate our federal legislators on the importance of these tools. As of this time, however, we cannot predict the decisions that may be made by the U.S. Congress on these matters. Accordingly, we still wish to tentatively schedule a ***special second*** meeting of the IFA Board on ***December 23, 2010***. More details will be provided at our meeting on December 14, 2010.

Commitment to Transparency and Accountability in Conduit Bond Finance

Here at the IFA, we take seriously both the value of the federal benefit that we bestow and the statutory policy architecture in which we operate. Transparency and accountability are therefore core priorities of our agency. And, those priorities led us to examine more closely the following scenario, which arises from time to time.

Under federal law, a borrower that qualifies for federally tax-exempt debt must use a state, regional, county or city conduit issuer ("local issuer"). This is an animating principle of municipal conduit finance. This also ensures that the local issuer is accountable to the voters or their representatives in the jurisdiction in which the project financed by conduit debt is located. The requirement of a local issuer ensures compliance with local statutory policies, including but not limited to open meetings, freedom of information, prevailing wage, audit and ethics laws, by the borrower who receives the substantial benefit of federally tax-exempt borrowing (up to a 20% discount in interest costs depending on the borrower and project).

When a non-governmental project is financed with bonds of a local issuer that does not have jurisdiction over the project site, federal tax law tries to preserve its commitment to transparency and accountability by requiring that a local governmental body that does have jurisdiction over the site provide its own review and approval of the project before the bonds may be issued. As well-intentioned as this requirement is, it is not perfect because the local governmental body giving only a "host approval" does not have the same stake in the project as one that is issuing the bonds as well. Thus, the careful review process that is customary for bond issuers that do have jurisdiction over the project site is often lacking in these cases. Illinois has a keen interest in ensuring that the privilege of issuing federally tax-exempt debt for projects in the State be exercised responsibly and therefore would like to see a uniform standard of review applied by the Governor's office to all bond issuances for non-governmental projects that are located outside the jurisdiction of the issuer, whether the issuer is located inside or outside of Illinois.

We are very grateful to State Senator A.J. Wilhelmi and State Representative David Miller for sponsoring and shepherding through the legislature a solution to this issue in the form of House Committee Amendment 1 to SB 3776 ("SB 3776" Wilhelmi-Trotter-Kotowski-Hunter-Dillard-Althoff; Miller-Jakobsson). The IFA extends its thanks, as well, to the other 54 State Senators and 113 State Representatives who voted for the bill.

SB 3776 passed the Illinois House on November 29, 2010 and passed the Illinois Senate on December 1, 2010. SB 3776 provides an additional layer of accountability and transparency, through Governor's approval of the host TEFRA process (Tax Equity and Fiscal Responsibility Act of 1982; Section 147(f) of the IRS Code), when an issuer of conduit debt without jurisdiction over the location of a project seeks to issue conduit debt in Illinois. SB 3776 will be sent to Governor Quinn for consideration.

Conclusion

In 2011, I look forward to working with all of you to retain and create jobs for Illinois.

Respectfully,

Christopher B. Meister

Attachments:

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





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

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

Number of Material Findings - 1

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

**Illinois Finance Authority
 FY09 Audit Finding: Immaterial
 Update as of November 30, 2010**

Item Number	Description	Percentage Completed
		10 20 30 40 50 60 70 80 95 100
Total Number of 4		
FY 09 Immaterial Findings		
IM09-01	Failure to Report Revenue Bond Information to the Illinois Office of the Comptroller	
IM09-02	Inaccurate Agency Report of State Property (C-15)	
IM09-03	Lack of Disaster Contingency Testing to Ensure Recovery of Computer Systems	
IM09-04	Weaknesses Regarding the Security and Control of Confidential Information	



Bonds Issued and Outstanding as of November 30, 2010

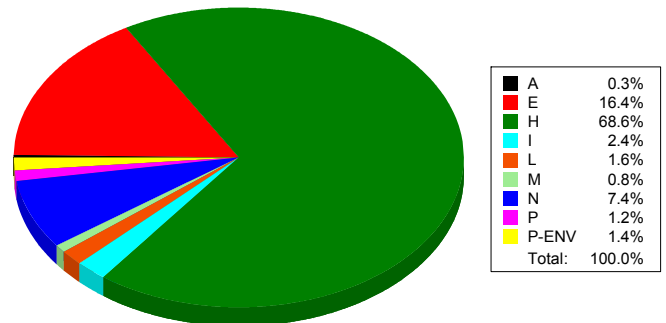
Bonds Issued Since Inception of Illinois Finance Authority

#	Market Sector	Principal Amount (\$)
309	Agriculture **	59,984,163
97	Education	3,806,258,100
322	Healthcare *	15,955,538,508
76	Industrial	686,080,669
27	Local Government	378,145,000
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
		\$ 23,373,152,535

* Includes CCRC's

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

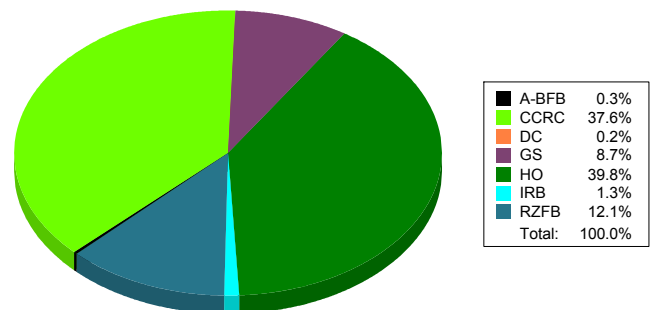
Bonds Issued Since Inception



Current Fiscal Year

#	Market Sector	Principal Issued
16	Agriculture - Beginner Farmer	3,399,951
1	Financially Distressed Cities	1,985,000
2	Gas Supply	100,000,000
9	Healthcare - Hospital	457,320,000
15	Healthcare - CCRC	432,455,000
2	Industrial Revenue	14,370,000
2	Recovery Zone Facilities Bonds	139,585,000
		\$ 1,149,114,951

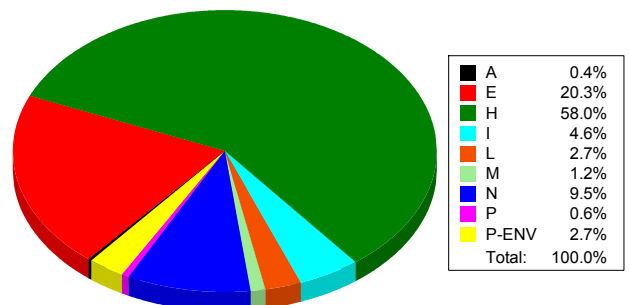
Bonds Issued - Current Fiscal Year



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

Market Sector	Amount of Original Issue	Principal Outstanding
Agriculture	298,453,869	91,752,395
Education	5,527,345,730	5,087,993,810
Healthcare	16,469,497,337	14,523,683,128
Industrial	1,348,710,669	1,149,353,167
Local Government	1,135,309,413	668,059,169
Multifamily/Senior Housing	742,915,396	305,500,425
501(c)(3) Not-for Profits	2,869,824,996	2,376,112,952
Exempt Facilities Bonds	155,360,000	155,360,000
Environmental issued under 20 ILCS 3515/9	770,475,000	673,812,836
		\$ 25,031,627,881
		\$ 29,317,892,410

Principal Outstanding by Market Sector



* Includes CCRC's

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

<u>Bond Issue</u>	<u>Date Issued</u>	<u>Initial Interest Rate</u>	<u>Principal Issued</u>	<u>Bonds Refunded</u>
A-BFB Beginner Farmer Bonds, Series 2011	07/01/2010	Various-See Below	3,399,951	0
HO 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
HO Institute for Transfusion Medicine, Series 2010	07/29/2010	VRB 3.60%	26,500,000	0
GS Peoples Gas Light and Coke Company, Series 2010A	08/18/2010	VRB 2.125%	50,000,000	0
RZFB 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
HO Provena Health, Series 2010C&D	09/22/2010	VRB 0.29%	72,000,000	0
GS Peoples Gas Light and Coke Company, Series 2010B	10/05/2010	2.625%	50,000,000	50,000,000
IRB Fabrication Technologies, Inc., Series 2010	10/15/2010	DP-VRB	5,140,000	0
HO Little Company of Mary Hospital, Series 2010	10/20/2010	5.25% to 5.50%	72,000,000	0
HO Beloit Health System, Series 2010	10/21/2010	VRB	37,895,000	40,325,000
RZFB Navistar International Corporation, Series 2010	10/26/2010	6.50%	135,000,000	0
DC City of East St. Louis, Series 2010	10/26/2010	3.00%	1,985,000	1,650,000
HO Swedish Covenant Hospital, Series 2010	11/03/2010	DP 4.99%	20,000,000	0
HO University of Chicago Medical Center, Series 2010A&B	11/09/2010	VRB 0.24%	92,500,000	0
CCRC Admiral at the Lake, Series 2010A-E	11/19/2010	7.25% to 8.00%	202,350,000	0
Total Bonds Issued in Fiscal Year 2011			\$ 1,149,114,951	\$ 312,555,000

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
Justison, Keri L.	07/30/2010	4.25%	249,736	106.00	Montgomery
Justison, David M.	07/30/2010	4.25%	249,736	106.00	Montgomery
Will, Richard & Linda	07/30/2010	4.00%	206,712	71.30	Cumberland
Smithenry, Eric J.	07/30/2010	4.25%	135,000	20.00	Jasper
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
Mellendorf, Mark	09/21/2010	4.25%	25,200	20.00	Clay
Gittleson, Brock	09/21/2010	4.46%	207,500	50.00	Lee
Fritschle, Derek	10/07/2010	4.00%	125,000	78.00	Richland
Stahl, Rodney Lynn	10/25/2010	4.00%	122,500	50.00	Stark
Stahl, Kendall	10/25/2010	4.50%	137,500	50.00	Stark
Rosenthal, Darin T.	10/29/2010	4.00%	250,000	80.00	Montgomery
Richter, Brett Alan	11/05/2010	2.76%	120,000	46.00	Clinton
Stephens, Douglas & Cindy	11/05/2010	3.50%	240,000	60.00	Livingston
Stephens, Derek & Brynn	11/05/2010	3.50%	240,000	60.00	Livingston
Truckenbrod, Steven	11/18/2010	5.25%	104,000	40.00	Ogle
Elliott, Lee Wayne & Latisha	11/30/2010	4.25%	112,000	80.00	Jasper
Total Beginner Farmer Bonds Issued			\$ 3,399,951	1,217.40	

AG Farm Purchase Guarantee	<u>Date Funded</u>	<u>Initial Interest Rate</u>	<u>Loan Proceeds</u>	<u>State Guarantee</u>
Kerber, Gregory & Jan	10/28/2010	5.85%	500,000	425,000
Total AG Farm Purchase Guarantee			<u>\$ 500,000</u>	<u>\$ 425,000</u>

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	November 30, 2010		
Illinois Finance Authority "IFA"				
296 Agriculture	\$ 46,455,000	\$ 49,698,000		
88 Education	3,721,552,000	3,693,050,000		
223 Healthcare	10,851,968,000	11,615,848,000		
66 Industrial Development [includes Recovery Zone]	345,870,000	593,813,000		
22 Local Government	264,060,000	261,020,000		
18 Multifamily/Senior Housing	157,979,000	159,032,000		
94 501(c)(3) Not-for Profits	1,313,239,000	1,294,864,000		
5 Exempt Facilities Bonds	130,500,000	130,500,000		
812 Total IFA Principal Outstanding	\$ 16,831,623,000	\$ 17,797,825,000		
Illinois Development Finance Authority "IDFA" ^[b]				
4 Education	42,196,000	41,506,000		
6 Healthcare	404,660,000	219,360,000		
73 Industrial Development	562,917,000	555,540,000		
35 Local Government	386,034,000	378,934,000		
16 Multifamily/Senior Housing	147,219,000	146,469,000		
103 501(c)(3) Not-for Profits	1,025,002,000	1,006,704,000		
1 Exempt Facilities Bonds	24,860,000	24,860,000		
234 Total IDFA Principal Outstanding	\$ 2,592,888,000	\$ 2,373,373,000		
Illinois Rural Bond Bank "IRBB" ^[b]				
17 Bond Bank Revenue Bonds	26,385,000	25,715,000		
1 Conduit Debt	2,390,000	2,390,000		
18 Total IRBB Principal Outstanding	\$ 28,775,000	\$ 28,105,000		
104 Illinois Health Facilities Authority "IHFA"	\$ 2,908,471,000	\$ 2,688,476,000		
49 Illinois Educational Facilities Authority "IEFA"	\$ 1,446,134,000	\$ 1,427,982,000		
561 Illinois Farm Development Authority "IFDA" ^[f]	\$ 42,055,000	\$ 42,055,000		
1,778 Total Illinois Finance Authority Debt	\$ 23,849,946,000	\$ 24,357,816,000	\$ 28,150,000,000	\$ 3,792,184,000

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	November 30, 2010		
General Purpose Moral Obligations				
Illinois Finance Authority Act [20 ILCS 3501/801-40(w)]				
17 Issued through IRBB - Local Government Pools	\$ 26,385,000	\$ 25,715,000		
7 Issued through IFA - Local Government Pools	28,000,000	28,000,000		
2 Issued through IFA - Illinois Medical District Commission	40,000,000	39,640,000		
26 Total General Moral Obligations	\$ 94,385,000	\$ 93,355,000	\$ 150,000,000	\$ 56,645,000
Financially Distressed Cities Moral Obligations				
Illinois Finance Authority Act [20 ILCS 3501/825-60]				
2 Issued through IFA	\$ 2,395,000	\$ 3,825,000		
1 Issued through IDFA	4,660,000	3,565,000		
3 Total Financially Distressed Cities	\$ 7,055,000	\$ 7,390,000	\$ 50,000,000	\$ 42,610,000
State Component Unit Bonds ^[c]				
17 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		
19 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 Area Bonds in Illinois, February 11, 2010.

Section I (c)

	Principal Outstanding		Program Limitations	Remaining Capacity
	June 30, 2010	November 30, 2010		
Midwest Disaster Bonds [Flood Relief]	\$ -	\$ -	\$ 1,515,271,000	\$ 1,515,271,000

Designated by the Governor of the State of Illinois to manage and coordinate the re-allocation of Federal ARRA Volume Cap and the issuance of Recovery Zone Bonds in the State of Illinois to fully utilize RZBs before December 31, 2010.

Section I (d)

	ARRA Act of 2009 Volume Cap Allocated ^[h]	City/Counties Ceded Voluntarily to IFA	Bonds Issued as of November 30, 2010	Available "Ceded" Volume Cap
Recovery Zone Economic Development Bonds;	\$ 666,972,000	\$ 16,940,000	\$ 12,900,000	\$ 4,040,000
Recovery Zone Facilities Bonds	\$ 1,000,457,000	\$ 247,413,000	\$ 139,585,000	\$ 107,828,000
Qualified Energy Conservation Bonds	\$ 133,846,000	\$ -	\$ -	\$ -

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

Section II

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

ILLINOIS FINANCE AUTHORITY
Schedule of Debt ^[a]

Illinois Finance Authority Act [20 ILCS 3501 Section 825-65(f); 825-70 and 825-75] - see also P.A. 96-103 effective 01/01/2010

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

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

Section IV		Principal Outstanding		Program Limitations	Remaining Capacity	State Exposure
		June 30, 2010	November 30, 2010			
Agri Debt Guarantees [Restructuring Existing Debt]		\$ 20,300,000	\$ 7,400,000	\$ 160,000,000	\$ 152,600,000	\$ 6,290,000
97 Fund # 994 - Fund Balance	\$ 9,940,751					
AG Loan Guarantee Program		\$ 47,229,000	\$ 56,116,000	\$ 225,000,000 ^[e]	\$ 168,884,000	\$ 41,920,000
55 Fund # 205 - Fund Balance	\$ 7,651,586					
12 Agri Industry Loan Guarantee Program		\$ 11,104,000	\$ 7,643,000			6,497,000
1 Renewable Fuels		24,445,000	10,792,000			9,174,000
2 Farm Purchase Guarantee Program		491,000	2,461,000			2,092,000
29 Specialized Livestock Guarantee Program		8,625,000	11,451,000			9,693,000
11 Young Farmer Loan Guarantee Program		2,564,000	23,769,000			14,464,000
152	Total State Guarantees	\$ 67,529,000	\$ 63,516,000	\$ 385,000,000	\$ 321,484,000	\$ 48,210,000

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	November 30, 2010		
116	Fire Truck Revolving Loan Program	572	\$ 18,730,135	\$ 17,515,298	\$ 6,003,342	\$ 2,485,122
10	Ambulance Revolving Loan Program	334	\$ 993,200	\$ 832,213	\$ 7,006,800	\$ 3,302,590

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	November 30, 2010		
Environmental [Large Business]					
9	Issued through IFA	316,440,000	\$ 316,238,000		
20	Issued through IDFA	372,065,000	357,575,000		
29	Total Environmental [Large Business]	\$ 688,505,000	\$ 673,813,000	\$ 2,425,000,000	\$ 1,751,187,000
Environmental [Small Business]					
29	Total Environment Bonds Issued under Act	\$ 688,505,000	\$ 673,813,000	\$ 2,500,000,000	\$ 1,826,187,000

Illinois Finance Authority Funds at Risk

Section VII	#	Original Amount	Principal Outstanding	
			June 30, 2010	November 30, 2010
Participation Loans				
55	Business & Industry	23,020,157.95	17,018,322.85	14,957,098.83
22	Agriculture	6,079,859.01	4,969,295.79	4,681,966.88
77	Participation Loans excluding Defaults & Allowances	\$ 29,100,016.96	\$ 21,987,618.64	\$ 19,639,065.71
	Plus: Legacy IDFA Loans in Default			1,143,112.67
	Less: Allowance for Doubtful Accounts			3,715,674.81
			Total Participation Loans	\$ 17,066,503.57
1	Illinois Facility Fund	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00
4	Local Government Direct Loans	\$ 1,289,750.00	\$ 1,781,154.98	\$ 297,526.74
5	FmHA Loans	\$ 963,250.00	\$ 580,213.44	\$ 345,458.85
2	Renewable Energy [RED Fund]	\$ 2,000,000.00	\$ 1,819,903.95	\$ 1,719,655.10
89	Total Loans Outstanding	\$ 34,353,016.96	\$ 27,168,891.01	\$ 20,429,144.26

[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.

[h] Recovery Zone Bonds - Federal government allocated volume cap directly to all 102 Illinois counties and 8 municipalities with population of 100,000 or more. [Public Act 96-1020]

[i] IFA is working with all of the 110 entities to encourage voluntary waivers to ensure that these resources are used to support project financing before the program expires on December 31, 2010.