

**MINUTES OF THE NOVEMBER 10, 2009 MEETING OF THE
AUDIT COMMITTEE OF THE ILLINOIS FINANCE AUTHORITY**

The Audit Committee (the "Committee") of the Illinois Finance Authority (the "IFA"), pursuant to notice duly given, held an Audit Committee meeting at 7:30 a.m. on Tuesday, November 10, 2009 at the Illinois Finance Authority, 180 N. Stetson, Suite 2555, Chicago, Illinois:

Board Members Participating	Staff Participants Present	Other Participants
Chairman William Brandt Terrence O'Brien	Yvonne Towers Chris Meister Joy Kuhn	None

Call to Order

The meeting was called to order at 7:45 a.m. with the above members present. There being two (2) members present, a quorum was declared.

FY 2009 Audit Status

Yvonne Towers gave the status of the FY 2009 Audit. She stated that the draft financial statements were submitted to the auditors per the audit schedule, on October 2, 2009. The draft financial statements are due to the Office of the Auditor General (OAG) on November 3, 2009, but are being held up due to a possible revision required by the Office of the Comptroller (IOC), relating to the Fire Truck and Ambulance Revolving Loan Funds, the Illinois Farmer Agribusiness Loan Guarantee Fund, and the Illinois Agricultural Loan Guarantee Fund. The IOC is trying to determine whether or not the liabilities should be reported at the State level. The audit field work is expected to be completed this week. She mentioned that the IFA may be facing several audit findings, including a finding for the Venture Capital valuation, which hasn't been performed since 2006 and another finding related to the Rural Bond Bank. The audit findings and the compliance schedules are due November 13, 2009.

Chairman Brandt mentioned the he had spoken with Jim Fuentes, Chairman of the Venture Capital Committee, who expressed his concern regarding staff coverage of the Venture Capital investment firms, relating to IFA's attendance at the firm's board meetings. Chairman Brandt recommended that IFA assign a staff member to monitor the Venture Capital Fund, since Stuart Boldry was no longer with the IFA. Yvonne stated she would accept the assignment assisted by Joy Kuhn. Chairman Brandt mentioned there may not be any invested cash in the fund since the 2007 transfer of IFA's operating funds. Chairman Brandt inquired about a payout relating to Firefly. Yvonne said she would look into that matter and report back to the Committee.

Mr. O'Brien asked if the financial statement issue could be resolved between the IOC and OAG, rather than pulling IFA into the middle of it. Yvonne stated that the financial statement preparation is the responsibility of the IFA and that any issues would need to be handled by IFA in conjunction with the IOC.

Revised FY 2010 Budget

Yvonne reviewed the revised draft FY 2010 Budget with the Committee. She stated that revenues increased 3.1%, while expenses increased 13.3%, versus the approved FY 2010 Budget. She mentioned the revenue increase was mainly due to the healthcare sector. The increase in expenses were due to increased legal fees to cover the costs associated with the layoff and for bankruptcies; external compliance review of the loan portfolio; Venture Capital valuation services; increased audit fees; telephone and internet transition with Central Management Services (CMS); and an increase for bad debt. Mr. Meister informed the Committee that it would cost IFA \$52,000, with additional ongoing cost without any added benefit to transition our telephone services with the State. Mr. Meister also said he had been working with CMS on this matter and was awaiting a decision.

Yvonne mentioned that the revised revenue figures reflect four months of actual activity, and that expenses may fluctuate due to the bad debt provision and the telephone transition. Mr. O'Brien asked if IFA would be able to operate in some years to come. Chairman Brandt said we will survive but it may be difficult. Mr. O'Brien asked if we could get help from the State. Mr. Meister mentioned that our reserve fund is to be used for agricultural purposes and if used, we would need legislative approval.

Investment Strategy Status

Joy Kuhn was called into the meeting to give the status of the investment strategy. Joy shared with the Committee the status of the solicitation for the CDARS program.

Joy told us that 10% could go in liquidity and the other 90% put into an investment firm. We have in excess of five funds totaling \$38 million dollars. We could invest in Treasury bills, Fannie Mae securities, certificates of deposits, and other vehicles excluding stock. Joy stated that a Request for Proposal was expected to be processed this week.

Chairman Brandt suggested picking two (2) to three (3) big banks and spread it around. Mr. O'Brien asked if Canadian banks could be used. Chairman Brandt answered not if they are offshore banks.

Chairman Brandt reiterated his concern regarding Venture Capital and assigned the responsibility to Yvonne Towers as staff person to oversee it. He asked her to look into retiring the loan of \$400,000 and having it taken off the books. He also told her that the solicitation should cover three (3) years and to reach out to Cimarron, the firm that performed the previous valuation of the investment firms.

Other Business

None

Meeting adjourned at 8:24 a.m.

Respectfully Submitted by:
Beverly Womack-Holloway
Secretary to the Board