Agenda for Executive Meeting
January 23, 2004

12:00 – 12:05 Lunch/Welcome Chairman Gustman

12:05 – 12:15 John Haderlein - Board Policy Presentation

12:15 – 12:30 Pam Lenane – Hospital/Deal Presentation

12:30 – 1:15 Marketers Presentation
- Rich Frampton
- David Wirth
- Townsend Albright
- Steve Trout
- Eric Watson
- Marcia Cochran
- Jim Senica
- Sharnell Curtis-Martin

1:15 – 1:25 Chris Vandenberg – Venture Capital Presentation

1:25 – 1:40 IFA Vision - Executive Director Ali Ata

1:40 – 1:50 CAO – Presentation - Mike Pisarcik

1:50 – Leave for Board Meeting – 33rd Floor

2:00 – Board Meeting

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BOARD MEETING
January 23, 2004

ILLINOIS FINANCE AUTHORITY
BOARD MEETING

January 23, 2004
233 South Wacker Drive
Sears Tower, 33rd Floor
Chicago, Illinois 60606

Executive Committee -(all Board Members)

12:00 Noon
(Includes Lunch)

- Opening Remarks – Chairman Gustman
- Senior Bond Counsel Remarks – John Haderlein
- IFA Overview – Director Ata

Board Meeting
2:00 P.M.

Agenda

- Call to Order – Chairman Gustman
- Chairman's Report
- Director's Report
- Other Business
  - Naming of Committee Members
- Roll Call

1. Adoption of January 5, 2004 Minutes
2. Acceptance of January 5, 2004 Financial Statement

Initial Project Considerations

	Number	Project	Location	Amount	New Jobs	Const Jobs	PA
3.	H-HO-TE-CD-401	Northwestern Memorial Hosp.	Chicago	$550,000,000	N/A	N/A	PL
4.	H-HO-TE-CD-402	Alexian Brothers	Elk Grove Village	$80,000,000	N/A	N/A	PL
5.	H-HO-TE-CD-403	BroMenn Healthcare	Normal, Eureka	$60,000,000	N/A	N/A	PL
6.	H-HO-TE-CD-404	Franciscan Communities, Inc. (St. Joseph's Home)	Chicago	$21,000,000	N/A	N/A	PL

Project Revisions/Amendatory Resolutions

7.	Eagle Theatre	Revise Loan Terms
8.	Jewish Federation of Metropolitan Chicago	Restructure Interest Rate Mode

Other Business

- Tax Anticipation Warrant Program for School Districts
- Newspaper Clippings

Adjournment

Appendix

MINUTES OF A SPECIAL MEETING THE BOARD OF DIRECTORS OF THE ILLINOIS FINANCE AUTHORITY

The Board of Directors (the "Board) of the Illinois Finance Authority (the "IFA"), pursuant to notice duly given, held a special meeting at 10:30 a.m., on January 5, 2004 in the Lincoln Conference Room at the Sears Tower Conference Center, 233 South Wacker Drive, 33rd Floor, in the City of Chicago, Illinois.

MEMBERS PRESENT:
David Gustman
Joseph Alford
Michael Goetz
Edward Leonard
Talat Othman
Timothy Ozark
Andrew Rice
Joseph Valenti

MEMBERS ABSENT:
Jill Rendleman York

INVITED GUESTS:
Lewis Greenbaum – Katten Muchin Zavis Rosenman
William Morris – Kirkpatrick Pettis
Michael Lurie – Governor's Office of Management and Budget

GENERAL BUSINESS ITEMS

Item 1 – Call to Order

Chairman Gustman called the meeting to order at approximately 10:35, with the above members present.

Item 2 – Roll Call

Chairman Gustman asked the Acting Secretary, Mr. Michael Pisarcik, to call the roll. Having eight members present, Chairman Gustman declared a quorum.

Item 3 – Communications

Chairman Gustman reviewed communications from the Governor's Office, including the recommendation of Mr. Ali D. Ata and Mr. Michael Horst as candidates for the Executive Director position.

Item 4 – Transition Report

Chairman Gustman asked Mr. William Morris of Kirkpatrick Pettis and Michael Lurie of the Governor's Office of Management and Budget to provide an overview of their actions over the last several months. Mr. Morris also informed the Board of the remaining pending transactions assumed from the previous Authority's.

Item 5 – New Business

Resolution Adopting the By-Laws (Resolution 2004-1)
A motion was made by Mr. Goetz and seconded by Mr. Leonard, to adopt the By-Laws of the Illinois Finance Authority. There being no comments or questions, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions.

Resolution Establishing the Regular Meeting Schedule (Resolution 2004-2)
A motion was made by Mr. Othman and seconded by Mr. Goetz to establish a regular meeting schedule through June 2004. Chairman Gustman opened the floor for discussion regarding the meeting dates. In order to accommodate the conflicting schedule of various Board members, the meetings were moved to the third Tuesday of each month at 2 P.M., except for the January meeting which would be held on January 23, 2004.

Chairman Gustman requested a roll call vote for the resolution as amended. The motion was approved with 8 ayes, 0 nays, and 0 abstentions.

Resolution Adopting an Interim Budget (Resolution 2004-3)
A motion was made by Mr. Goetz and seconded by Mr. Rice to approve the interim budget. There being no comments or questions, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions.

Resolution Appointing the Executive Director (Resolution 2004-4)
Chairman Gustman reported that Governor Blagojevich had nominated two candidates, Mr. Ali D. Ata and Mr. Michael Horst, for the position of Executive Director.

A motion was made by Mr. Goetz and seconded by Mr. Leonard to appoint Mr. Ali Ata as Executive Director. Chairman Gustman commented on the exceptional quality of Mr. Ata as a candidate. There being no further discussion or questions, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions.

Resolution Appointing the Treasurer (Resolution 2004-5)
A motion was made by Mr. Rice and seconded by Mr. Alford nominating Mr. Michael Pisarcik as Treasurer. There being no comments or question, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions.

Resolution Appointing the Secretary (Resolution 2004-6)
A motion was made by Mr. Rice and seconded by Mr. Alford nominating Mr. Michael Pisarcik as Secretary. There being no comments or questions, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions.

Resolution Concerning the Administration of Debt Issues (Resolution 2004-7) A motion was made by Mr. Goetz and seconded by Mr. Ozark to adopt the resolution concerning the administration of debt issues. There being no comments or questions, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions.

Resolution Adopting a Severance Compensation Policy (Resolution 2004-8)
A motion was made by Mr. Goetz and seconded by Mr. Othman to adopt the severance compensation policy. There being no comments or questions, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions.

Resolution of Appointing Consultants (Resolution 2004-9)
This resolution appoints the following as outside consultants to the IFA through June 2004:

- Katten Muchin Zavis Rosenman – General Counsel
- Kirkpatrick Pettis – Investment Banking
- Joint Venture of Velma Butler & Company, and Washington Pittman & McKeever – Accountants

A motion was made by Mr. Goetz and seconded by Mr. Valenti to adopt the resolution. There being no comments or questions, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions.

Item 6 – Member Comments

Chairman Gustman opened the floor for any comments by any members of the Board. There being no comments, the meeting proceeded.

Item 7 – Executive Director Comments

Executive Director Ata expressed his appreciation for his selection as the Executive Director. He also thanked the Board for their time and looks forward to working with the Board to fulfill the Governor's economic development agenda.

Item 8 – Public Comments

Chairman Gustman opened the floor for any comments by any members of the public. There being no comments, the meeting proceeded.

Item 9 – Motion to reconsider the Regular Meeting Schedule

Due to several conflicts that members had with the January 20th Board meeting, the meeting was moved to January 23, 2004 at 2 P.M. A motion was made by Mr. Valenti and seconded by Mr. Alford. There being no further comments, Chairman Gustman requested a roll call vote. The motion to reconsider was approved with 8 ayes, 0 nays, and 0 abstentions. **(Resolution 2004-2-A).**

Item 10 – Resolution Amending the Regular Meeting Schedule

The motion to amend the Regular Meeting Schedule reflecting the changes in Item 9 was made by Mr. Valenti and seconded by Mr. Goetz. There being no further comments, Chairman Gustman requested a roll call vote. The motion was approved with 8 ayes, 0 nays, and 0 abstentions. **(Resolution 2004-2-B).**

Chairman Gustman inquired about any other comments or questions. Mr. Leonard inquired about the indemnification of the Board in the By-laws. Mr. Greenbaum responded that the liability of the Board is minimal, but the Board should consider Director and Officer Insurance. Chairman Gustman commented that IDFA's policy carried forward to the IFA.

There being no further business, Chairman Gustman adjourned the meeting at approximately 10:56 a.m.

ILLINOIS FINANCE AUTHORITY
PRELIMINARY BALANCE SHEET
DECEMBER 31, 2003

	Preliminary IDFA	Preliminary IHFA	Preliminary IEFA	Preliminary IRBB	Preliminary IFDA	COMBINED TOTAL	ACCRUAL/ PREPAID ADJST'MTS	ADJ'TD TOTAL
ASSETS								
CASH & INVESTMENTS, UNRESTRICTED	$ 16,178,607	$ 7,042,286	$ 760,355	$ 2,861,708	$ 2,709,650	$ 29,552,606		$ 29,552,606
RECEIVABLES, NET	7,240,764	606,423	13,467		8,452	7,869,106		7,869,106
OTHER RECEIVABLES	1,077,197	10,164				1,087,361		1,087,361
PREPAID EXPENSES	5,591	94,417				100,008	144,000	244,008
TOTAL CURRENT ASSETS	24,502,159	7,753,290	773,822	2,861,708	2,718,102	38,609,081	144,000	38,753,081
FIXED ASSETS, NET OF ACCUM DEPRECIATION	-			4,400	27,909	32,309		32,309
OTHERS ASSETS- RESTRICTED								
CASH, INVESTMENTS & RESERVES	7,384,328	975,075				8,359,403		8,359,403
VENTURE CAPITAL INVESTMENTS	4,603,897					4,603,897		4,603,897
OTHER	3,700,000					3,700,000		3,700,000
	15,688,225	975,075	-	-	-	16,663,300	-	16,663,300
TOTAL ASSETS	40,190,384	8,728,365	773,822	2,866,108	2,746,011	55,304,690	144,000	55,448,690
LIABILITIES								
CURRENT LIABILITIES	445,744	3,858	120,157		-	569,759	704,000	1,273,759
LONG-TERM LIABILITIES	931,422	21,434			-	952,856		952,856
TOTAL LIABILITIES	1,377,166	25,292	120,157	-	-	1,522,615	704,000	2,226,615
EQUITY								
CONTRIBUTED CAPITAL	18,508,374			2,749,195		21,257,569		21,257,569
RETAINED EARNINGS	15,675,161			116,913	2,924,592	18,716,666		18,716,666
NET INCOME FROM OPERATIONS	262,948	(275,360)			(178,581)	(190,993)	-560000	(750,993)
NET UNREALIZED (LOSS) ON INVESTMENT	(337,117)					(337,117)		(337,117)
RESERVED/RESTRICTED FUND BALANCE	3,700,000	975,075				4,675,075		4,675,075
UNRESERVED FUND BALANCE	1,003,852	8,003,358	582,932	-		9,590,142		9,590,142
TOTAL FUND EQUITY	38,813,218	8,703,073	582,932	2,866,108	2,746,011	53,711,342	(560,000)	53,151,342
TOTAL LIABILITIES & EQUITY	40,190,384	8,728,365	703,089	2,866,108	2,746,011	55,233,957	144,000	55,377,957

IFA - Preliminary Financial information at 12/31/03 for predecessor authorities
IDFA - Information current through 12/31/03 prepared by IDFA staff.
IHFA - Income info current through 11/30/03, balance sheet current through 10/31/03. Projections for 12/31/03 income and expenses provided by IHFA staff and was used as basis for updating the October balance sheet, and compiling year to date income and expenses
IEFA - Information current through 12/23/03 and was prepared by the former contract accountant for IEFA.
IRBB - Information current throught 12/31/03 and was prepared by Eric Watson
IFDA - Information current through 11/30/03 as prepared by Laura Lanternmen, and was adjusted for 12/31/03 receipts and disbursments.

ILLINOIS FINANCE AUTHORITY
PRELIMINARY INCOME STATEMENT
SIX-MONTH PERIOD ENDING DECEMBER 31, 2003

	Preliminary IDFA	Preliminary IHFA	Preliminary IEFA	Preliminary IRBB	Preliminary IFDA	TOTAL	ACCRUAL/ PREPAID ADJST'MTS	ADJ'TD TOTAL
REVENUE								
INTEREST ON LOANS	$ 185,054	$ -	$ -	$ -	$ 189,757	$ 374,811		$ 374,811
INVESTMENT INTEREST & GAIN	183,714	-	1,592	13,327	61,263	259,896		259,896
ADMIN. & APPL. FEES	1,508,176	692,411		-		2,200,587		2,200,587
FEES: ANNUAL / ISSUANCE FEES / LOAN	137,732	522,676	57,010	-	-	717,418		717,418
OTHER	3,355	11,233		602,375		616,963		1,230,571
TOTAL REVENUE	2,018,031	1,226,320	58,602	615,702	251,020	4,169,675	-	4,783,283
EXPENSES								
EMPLOYEE RELATED EXPENSES								
COMPENSATION & TAXES	820,915	464,049		148,989	194,408	1,628,361		1,628,361
BENEFITS	256,279	86,909		-	70,341	413,529		413,529
TEMPORARY HELP	3,499	4,518		-		8,017		8,017
WORKERS COMP INSURANCE	2,507	-		-		2,507		2,507
EDUCATION & DEVELOPMENT	5,554	445		-	2,395	8,394		8,394
TRAVEL & AUTO	9,511	874		-	5,300	15,685		15,685
TOTAL EMPLOYEE RELATED EXPENSES	1,098,265	556,795	-	148,989	272,444	2,076,493	-	2,076,493
PROFESSIONAL SERVICES								
CONSULTING, LEGAL & ADMIN	119,858	-	120,000	360,015	33,205	633,078	40000	673,078
BOND REPORTING SERVICES	17,500			-		17,500		17,500
LOAN EXPENSE & BANK FEE	6,475			-		6,475		6,475
ACCOUNTING & AUDITING	57,500		35,460	-		92,960	174,000	266,960
DIRECT COST/FIN ADVISORY & LEGAL COUNSE	-	798,019	4,250	-		802,269		802,269
LEGISLATIVE LOBBYIST	-			-		-		-
ANNUAL REPORT	11,170			-		11,170		11,170
MARKETING GENERAL	8,343			-	17,275	25,618		25,618
MARKETING-WEB PAGE	75			-		75		75
ART & CULTURAL INITIATIVE	60			-		60		60
MARKETING-STAFF	381			-		381		381
VC CONFERENCE/TRAINING	591			-		591		591
DATA PROCESSING	19,417	50,680		-		70,097		70,097
TOTAL PROFESSIONAL SERVICES	241,370	848,699	159,710	360,015	50,480	1,660,274	214,000	1,874,274

ILLINOIS FINANCE AUTHORITY
PRELIMINARY INCOME STATEMENT
SIX-MONTH PERIOD ENDING DECEMBER 31, 2003

	Preliminary IDFA	Preliminary IHFA	Preliminary IEFA	Preliminary IRBB	Preliminary IFDA	TOTAL	ACCRUAL/ PREPAID ADJST'MTS	ADJ'TD TOTAL
OFFICE RENT	136,078	55,801		22,152	14,400	228,431		228,431
SECURITY	-			-		-		-
EQUIPMENT RENTAL AND PURCHASES	6,661			-	288	6,949		6,949
REPAIRS & MAINTENANCE	1,050			-	1,351	2,401		2,401
TELECOMMUNICATIONS	16,603	3,345		-	2,703	22,651		22,651
UTILITIES	4,836			-	2,440	7,276		7,276
DEPRECIATION	1,027				4,823	5,850		5,850
INSURANCE	6,870	28,276				35,146		35,146
TOTAL OCCUPANCY COSTS	173,125	87,422	-	22,152	26,005	308,704	-	308,704
GENERAL & ADMINISTRATION								
OFFICE SUPPLIES	3,862	3,333	35	-	696	7,926		7,926
BOARD BOOK-PRINTING	5,733			-		5,733		5,733
BOARD BOOK-POSTAGE & FREIGHT	1,926			-		1,926		1,926
PRINTING	784			-	356	1,140		1,140
POSTAGE & FREIGHT	8,624			-	1,429	10,053		10,053
MEMBERSHIP & DUES	1,201	3,919		-	-	5,120		5,120
PUBLICATIONS	1,803			-	1,290	3,093		3,093
OFFICERS & DIRECTORS INSURANCE	205,601			-		205,601		205,601
TRAVEL	577	3,512		-	4,884	8,973		8,973
MISCELLANEOUS	-	500	2,281	-	33,670	36,451		36,451
TOTAL GEN & ADM EXPENSES	230,111	11,264	2,316	-	42,325	286,016	-	286,016
OTHER								
INTEREST EXPENSE	12,212	(2,500)				9,712		9,712
TOTAL OTHER	12,212	(2,500)	-	-	-	9,712	-	9,712
TOTAL EXPENSES	1,755,083	1,501,680	162,026	531,156	391,254	4,341,199	214,000	4,555,199
NET INCOME (LOSS) BEFORE VC LOSS	262,948	(275,360)	(103,424)	84,546	(140,234)	(171,524)	(214,000)	(385,524)
NET UNREALIZED (LOSS) ON INVESTMENT	(337,117)	-	-	-	(38,347)	(375,464)		(375,464)
NET INCOME (LOSS)	$ (74,169)	$ (275,360)	$ (103,424)	$ 84,546	$ (178,581)	$ (546,988)	$ (214,000)	$ (760,988)

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ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
January 23, 2004

Deal: **Northwestern Memorial Hospital**

STATISTICS

Deal Number:	H/HO/TE/CD-401	Amount:	$550,000,000 (Not to exceed amount)
Type:	Not-for-Profit Bond	PA:	Pam Lenane, Rich Frampton
Locations:	Chicago	Originator:	Pam Lenane
Tax ID:	37-0960170	Est fee:	$138,000-$203,000

BOARD ACTION

Preliminary Bond Resolution
Conduit 501(c)(3) bonds
No IFA funds at risk

Staff recommends approval
No extraordinary conditions

PURPOSE

Bond proceeds will finance the expansion and modernization of certain health facilities owned by Northwestern Memorial Hospital ("NMH") in Chicago. Additionally, bond proceeds will be used to refinance existing tax-exempt bond debt previously issued by the Illinois Health Facilities Authority and other outstanding indebtedness.

VOLUME CAP

No Volume Cap is required for 501(c)(3) Bond financing.

VOTING RECORD

Not applicable.

SOURCES AND USES OF FUNDS

Sources:	IFA bonds	$550,000,000	Uses:	Project Costs	$275,000,000
				Refunding Escrow	275,000,000
				*Issuance Costs	
	Total	$550,000,000		Total	$550,000,000

* Information on Issuance Costs will be available at the time of final bond resolution.

JOBS

Current employment:	FTEs	Projected new jobs:	N/A
Jobs retained:	N/A	Construction jobs:	N/A

BUSINESS SUMMARY

und: Northwestern Memorial Hospital ("NMH" or the "Hospital") is a subsidiary of Northw Memorial HealthCare and is a 501(c)(3) corporation established under Illinois law.

tion: Although the Hospital traces its roots back over 130 years, NMH was officially foun 72 through the consolidation of Chicago Wesley Memorial and Passavant Memorial H In 1975, Prentice Women's Hospital and Maternity Center and the Institute of Psychi ed NMH. Olson Pavilion, housing NMH's critical care nursing units and the emergency d nt, opened in 1979. NMH opened the new Northwestern Memorial Hospital, a state-of-a tal facility, in 1999.

Northwestern Memorial Hospital is an academic medical center with its main campus in downtown Chicago's Streeterville neighborhood. NMH serves as the primary teaching tal for the Northwestern University Medical School and provides a complete range of adult ent and outpatient services in an educational and research environment. NMH will be th ect obligor on the subject bond issue.

NMH has 720 beds in Chicago. Approximately 1,200 physicians, representing virtuall every specialty, are affiliated with the Hospital.

Market research consistently recognizes the Hospital and its affiliated physicians and nurses as the most preferred in Chicago.

cials: Northwestern Memorial Hospital and Subsidiaries
Audited Financial Statements 2000-2002

	Year Ended August 31 2000	2001	2002
	(Dollars in 000's)		
Statement of Revenues/Exp.:			
Revenue/Support	$658,300	$721,522	$805,158
Operating Income	21,286	11,573	22,461
Balance sheet:			
Current Assets	$342,868	$284,286	$255,216
PP&E – Net	763,373	775,886	790,451
Other Assets	988,796	1,103,434	1,080,985
Total Assets	**2,095,037**	**2,163,606**	**2,126,652**
Current Liabilities	248,172	253,353	144,836
LT Debt/Liabil.	377,901	304,391	362,281
Other Non-Current Liab.	128,720	116,749	118,147
Net Assets	1,340,244	1,489,113	1,501,388
Total Liab. & Net. Assets	**$2,095,037**	**$2,163,606**	**$2,126,652**
Ratios:			
Debt coverage	3.20x	2.58x	3.37x
Current ratio	1.76	1.12	1.38
Debt/Net Assets	0.25	0.21	0.29

scussion: The Hospital has experienced consistently strong operations, generating sufficient cash flow to cover its fixed obligations (debt service payments plus rent expense) by multiples of 2.58 times or better.

NMH's combined cash/short-term investments and long-term investments provided sufficient liquidity to cover 312 days of operating expenses as of 8/31/2002.

FINANCING SUMMARY

Security:	NMH's long-term ratings are Aa2/AA+ (Moody's/S&P) – both are expected to be affirmed; certain bonds may also be rated based upon the use of credit enhancement and/or liquidity facilities (i.e., provided by an Aaa/AAA-rated municipal bond insurer).
Structure:	The current plan of finance contemplates the issuance of a combination of fixed and floating rate bonds. An interest rate swap may be employed to lock in a fixed rate on all or a portion of the bonds. Certain bonds may be insured by Aaa/AAA-rated municipal bond insurance. In preparation for the refinancing portion of this transaction, NMH entered into two forward-starting interest rate swap agreements. NMH entered into these swap agreements in order to lock-in desirable present value savings on the refunding of NMH's Series 1994 Bonds.
Maturity:	30 years

PROJECT SUMMARY

Bond proceeds will be used to provide a portion of the funds necessary to (i) pay or reimburse NMH for, or refinance outstanding indebtedness the proceeds of which were used for, the payment of the costs of acquiring, constructing, renovating, remodeling and equipping certain health facilities owned by the Northwestern Memorial Hospital at its Chicago campus, including but not limited to the acquisition, construction and equipping of its new Prentice Women's Hospital and certain routine capital expenditures; (ii) refund or refinance all or a portion of the outstanding principal amount of the Illinois Health Facilities Authority Revenue Bonds, Series 1994A (Northwestern Memorial Hospital) (the "Series 1994 Bonds") and the Illinois Health Facilities Authority Variable Rate Demand Revenue Bonds, Series 2002A-C (Northwestern Memorial Hospital) (the "Series 2002 Bonds"), (iii) refinance other outstanding indebtedness related to NMH facilities; (iv) pay a portion of the interest on the Series 2004 Bonds, if deemed necessary or advisable by NMH; (v) fund working capital for NMH, if deemed necessary or advisable by NMH; (vi) fund a debt service reserve fund, if deemed necessary or advisable by NMH; and (vii) pay certain expenses incurred in connection with the issuance of the Series 2004 Bonds and the refunding of the Series 1994 and 2002 Bonds, including but not limited to fees for credit or liquidity enhancement for the Series 2004 Bonds, all as permitted by the Illinois Financing Authority Act.

As a part of the refunding of the Series 1994 Bonds, NMH entered into two forward-starting interest rate swap agreements on September 30, 2003, with a notional amount totaling $148,600,000, which is approximately equal to the outstanding par amount of the Series 1994 Bonds. NMH will be paying a fixed interest rate on the swaps commencing August 15, 2004 through August 15, 2024, which corresponds to the final maturity of the Series 1994 Bonds. NMH entered into these agreements as part of management's overall strategy to lock-in a desirable amount of present value savings on the refunding of the Series 1994 Bonds.

ECONOMIC DISCLOSURE STATEMENT

Applicant:	Northwestern Memorial Hospital, Chicago, IL	
Location:	255 E. Huron, Chicago (Cook County), IL 60611-3081	
Project name:	Northwestern Memorial Hospital	
Organization:	501(c)(3) Not-for-Profit Corporation	
State:	Illinois	
Board of Trustees:	John A. Canning, Jr.	Lewis Landsberg, M.D.
	Thomas A. Cole	Edward M. Liddy, Vice Chairman
	Peter D. Crist	Gary A. Mecklenburg
	Raymond H. Drymalski, Chairman	Lee M. Mitchell
	Sharon Gist Gilliam	Robert L. Parkinson, Jr.
	Dean M. Harrison	Harold J. Pelzer, D.D.S., M.D.
	J. Larry Jameson, M.D., Ph.D.	Richard L. Wixson

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PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Gardner, Carton & Douglas	Chicago	Steve Kite
Accountant:	Ernst & Young LLP	Chicago	
Bond Counsel:	Jones Day	Chicago	Rich Tomei
Underwriter:	JP Morgan Securities and UBS Financial Services	Chicago	Mark Meilo and Jennifer Daugherty
Underwriter's Counsel:	Ungaretti & Harris	Chicago	
Bond Trustee:	TBD		
Issuer's Counsel:	TBD		

LEGISLATIVE DISTRICTS

Congressional:	7 – Danny Davis
State Senate:	13 – Barack Obama
State House:	26 – Lovana Jones
City Clerk:	James Laski, 121 N. LaSalle Street, Chicago, IL 60602

I:\pam\Northwestern Mem Hosp-PBR 1-15-04

ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
January 23, 2004

Deal: **Alexian Brothers Health System**

STATISTICS

Deal Number:	H/HO/TE/CD-402	Amount:	$80,000,000 (not to exceed amount)
Type:	Not-for-profit Bond	PA:	Pam Lenane
Locations:	Elk Grove Village, Hoffman Estates	Est. fee:	$34,450

BOARD ACTION

Preliminary Bond Resolution	Staff recommends approval
Conduit 501(c)(3) bonds	No extraordinary conditions
No IFA funds at risk	

PURPOSE

Bond proceeds will be used to modernize and expand hospital facilities located in Elk Grove Village and Hoffman Estates.

VOLUME CAP

No Volume Cap is required for 501(c)(3) bond financing.

VOTING RECORD

Not applicable.

SOURCES AND USES OF FUNDS

Sources:	IFA bonds	$80,000,000	Uses:	Project costs	$74,400,000
				Debt service reserve	4,400,000
				Issuance costs	1,200,000
	Total	$80,000,000		Total	$80,000,000

JOBS

Current employment:	6571	Projected new jobs:	N/A
Jobs retained:	N/A	Construction jobs:	200 (estimated)

BUSINESS SUMMARY

The Alexian Brothers Health System is a diversified multi-corporate healthcare delivery system sponsored by the Congregation of Alexian Brothers, Immaculate Conception Province, a Roman Catholic religious institute.

The Alexian Brothers began their ministry in the United States in 1866 with the opening of an eight-bed hospital in Chicago. Two years later, a larger hospital was build but destroyed in the Chicago fire of 1871. Over the years, the Brothers twice rebuilt the facility. Today, the Alexian Brothers sponsor the following facilities:

- Three hospitals in the northwest suburbs of Chicago, including Alexian Brothers Medical Center in Elk Grove Village, St. Alexius Medical Center in Hoffman Estates, and Alexian Brothers Behavioral Health Hospital, also in Hoffman Estates
- Life care centers in Signal Mountain, Tennessee and Milwaukee, Wisconsin
- Two nursing homes in St. Louis, Missouri
- Programs for All Inclusive Care of the Elderly in St. Louis, Missouri and Chattanooga, Tennessee
- Free-standing assisted living facility serving persons affected by Alzheimer's or other dementia related disorders in Chattanooga, Tennessee
- Affordable housing primarily to serve seniors in St. Louis, Missouri, Elizabeth, New Jersey, and Chattanooga, Tennessee.

The proposed financing will enable the Borrower to modernize and expand its three Chicago-area hospitals, thereby enhancing services in northwest suburban Chicago.

	Fiscal Years Ended December 31,		
	2001	2002	2003 (11 months)
Income Statement:			
Support and revenues	$433,950	$474,133	$533,398
Revenue over expenses	15,592	9,607	31,363
Balance Sheet:			
Current assets	$105,654	$115,276	$125,368
Assets limited to use	246,502	231,666	290,209
Advances due	8,981	9,741	---
PP&E	266,859	280,601	325,597
Other assets	155,343	146,698	136,560
Total assets	783,339	783,982	877,734
Current liabilities	94,955	107,678	113,230
Deferred fees and revenues	29,259	28,131	42,112
Debt	348,643	341,297	342,662
Net assets	310,482	306,876	379,730
Total liabilities and assets	$783,339	$783,982	$877,734
Ratios:			
Debt service coverage	2.8x	2.6x	
Days cash on hand	211	186	

Discussion: The Hospital has experienced consistent strong operations over the last few years, with especially strong cash flow and profitability in FY 2003.

FINANCING SUMMARY

Security:	Bonds will be secured by a Direct Pay Letter of Credit from Bank One. Bank One will be secured by a Receivables Pledge.
Structure:	The current plan of finance contemplates the issuance of floating rate bonds supported by a Bank One letter of credit
Maturity:	30 years

PROJECT SUMMARY

Bond proceeds will be used to modernize and expand hospital facilities at Alexian Brothers Medical Center, 955 Beisner Road, Elk Grove Village (Cook County), IL 60007-3475 , St. Alexius Medical Center, 1555 Barrington Road, Hoffman Estates (Cook County), IL 60194-1018, and Alexian Brothers Behavioral Health Hospital, 1650 Moon Lake Boulevard, Hoffman Estates (Cook County), IL 60194-1010. Projects include expansion of cardiac care facility, bed modernization, expansion of diagnostic center and surgery unit, construction of a new parking deck, and expansion of emergency room facilities.

ECONOMIC DISCLOSURE STATEMENT

Project name:	Alexian Brothers Health System Construction and Remodeling	
Locations:	Alexian Brothers Medical Center, 955 Beisner Road, Elk Grove Village (Cook County), IL 60007-3475 , St. Alexius Medical Center, 1555 Barrington Road, Hoffman Estates (Cook County), IL 60194-1018, and Alexian Brothers Behavioral Health Hospital, 1650 Moon Lake Boulevard, Hoffman Estates (Cook County), IL 60194-1010.	
Applicant:	Alexian Brothers Health System	
Organization:	501(c)(3) Not-for-profit Corporation	
State:	Illinois	
Board of Trustees:	Brother Lawrence Kreuger, C.F.A.	Jerry Capizzi
	Brother James Classon	Brother Richard Dube, C.F.A.
	Charles R. Goulet	Brother Thomas Keusenkothen, C.F.A
	Brother Theodore Loucks, C.F.A.	Kenneth McHugh
	Thomas Rand	Sister Renee Rose
	Brother Edward Walsh, C.F.A.	

PROFESSIONAL AND FINANCIAL

Borrower's Counsel:	Foley & Lardner	Chicago	Robert Zimmerman
Accountant:	KPMG	Chicago	
Bond Counsel:	Jones Day	Chicago	S. Louise Rankin
Underwriter:	Merrill Lynch	Chicago	Joe Hegner
Underwriter's Counsel:	Ungaretti & Harris	Chicago	Tom Fahey
Financial Advisor:	Kaufman Hall	Northfield	Ken Kaufman
Bond Trustee:	TBD		
Issuer's Counsel:	TBD		

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LEGISLATIVE DISTRICTS

Elk Grove Village

Congressional:	6 – Henry J. Hyde
State Senate:	33 – Dave Sullivan
State House:	66 – Carolyn H. Krause

Hoffman Estates

Congressional:	8 – Philip M. Crane
State Senate:	22 – Steven J. Rauschenberger
State House:	44 – Terry R. Parke

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ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
January 23, 2004

Deal: **BroMenn Healthcare**

STATISTICS

Deal Number:	H/HO/TE/CD-403	Amount:	$70,000,000 (Not to exceed amount)
Type:	Not-for-Profit Bond	PA:	Pamela Lenane and Sharnell Curtis-Martin
Locations:	Normal, Eureka	Est fee:	$134,450

BOARD ACTION

Preliminary Bond Resolution
Conduit 501(c)(3) bonds
No IFA funds at risk

Staff recommends approval
No extraordinary conditions

PURPOSE

Bond proceeds will be used to (i) refinance all or a portion of the Series 1985D, 1990A, 1990B, 1992 and 2002 Bonds, and the Merrill Lynch Bank Revolving Loan of BroMenn Healthcare ("BroMenn") and its subsidiaries; (ii) finance certain capital expenditures at its facilities; and (iii) pay bond issuance and enhancement costs.

VOLUME CAP

No Volume Cap is required for 501(c)(3) Bond financing.

VOTING RECORD

Not applicable.

SOURCES AND USES OF FUNDS

Sources:	IFA bonds	$70,000,000	Uses:	Project Costs	$10,000,000
				Refunding Escrow	55,000,000
				Debt Service Reserve	4,000,000
				Issuance Costs	1,000,000
	Total	$70,000,000		Total	$70,000,000

JOBS

Current employment:	1,300 FTEs	Projected new jobs:	N/A
Jobs retained:	N/A	Construction jobs:	N/A

BUSINESS SUMMARY

Background: BroMenn Healthcare ("BroMenn") is an Illinois not-for-profit corporation, exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

Description: The BroMenn Healthcare System, headquartered in Bloomington-Normal and its predecessors have been serving and caring for the people of central Illinois for more than 100 years. BroMenn has over 1800 employees overall including clinics located in Bloomington, El Paso, Eureka, Fairbury, LeRoy, and Lexington.

The Borrower was formed in 1984 by consolidating Brokaw Hospital, established in 1896, Mennonite Hospital, founded in 1919, and Eureka Hospital, established in 1901. Its purpose is to improve the health and well-being of its communities by providing health care services to the citizens of the greater Bloomington-Normal, Illinois area. Brokaw-Mennonite Association, an Illinois not-for-profit corporation, is the sole member of the Borrower.

The main operational facilities of the Borrower are BroMenn Regional Medical Center ("BRMC") and Eureka Community Hospital ("Eureka"). BRMC is located at the corner of Virginia and Franklin Avenue in Normal, Illinois. It has a licensed capacity of 224 beds of which 206 are currently staffed. Inpatient medical, surgical, intensive care, obstetrical, pediatric, psychiatric, rehabilitation, cardiovascular, neurological and orthopedic services are provided at BRMC. In addition, a physicians' office building is located adjacent to BRMC and is directly connected on one floor. Eureka is a general acute care hospital located approximately 25 miles northwest of BRMC. It has a licensed capacity of 34 beds of which 25 are currently staffed.

Remarks: The primary service area is defined as the immediate Bloomington/Normal geographic area, specifically, zip codes 61701, 61702, 61704 and 61761. The secondary service area consists of outlying areas running northeast to southwest along Interstate Route 55, including Livingston, DeWitt, Tazewell, and Logan counties. The oblong shape of the service area is caused by both the availability of major transportation routes and the existence of tertiary care institutions in Peoria (approximately 40 miles northwest) and Champaign (approximately 40 miles southeast).

Eureka Community Hospital serves Woodford, Tazewell, and Marshall counties.

Financials: **BroMenn Healthcare**
Audited Financial Statements 2001 - 2003

	Fiscal Years Ended June 30,		
	2001	2002	2003
	(Dollars in 000's)		
Income Statement:			
Support and revenues	$117,075	$127,241	$132,512
Revenue over expenses	10,669	4,169	9,585
Balance Sheet:			
Current assets	$46,103	$44,436	$43,199
Assets limited as to use	36,667	56,819	58,364
PP&E	68,176	69,738	75,618
Other assets	20,174	19,393	20,531
Total assets	171,120	190,416	197,712
Current liabilities	25,783	24,408	27,265
Debt	64,893	80,233	75,603
Other liabilities	4,877	5,027	5,454
Net assets	75,567	80,748	89,390
Total liabilities & net assets	$171,120	$190,416	$197,712
Ratios:			
Debt service coverage (x)	2.70	2.60	2.50
Current ratio	1.79	1.82	1.58
Debt/net assets	85.9%	99.4%	85.6%

Discussion: The Hospital has experienced consistent strong operations over the last few years, with strong cash flow margins and improving liquidity.

FINANCING SUMMARY

Security: TBD. BroMenn expects to issue debt secured by bond insurance or its own rating (to be applied for).

Structure: The current plan of finance contemplates the issuance of a combination of fixed and floating rate bonds. An interest rate swap may be employed to lock in a fixed rate on all or a portion of the bonds.

Maturity: 30 years

PROJECT SUMMARY

Bond proceeds will be used to (i) refinance all or a portion of the Series 1985D, 1990A, 1990B, 1992 and 2002 Bonds, and the Merrill Lynch Bank Revolving Loan of BroMenn Healthcare ("BroMenn") and its subsidiaries; (ii) finance certain capital expenditures at facilities located at (a) Virginia at Franklin Ave., Normal (McLean County), IL 61761-3557 and (b) 101 S. Major Street, Eureka (Woodford County), IL 61530-1278; and (iii) pay bond issuance and enhancement costs.

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ECONOMIC DISCLOSURE STATEMENT

Project name:	BroMenn Healthcare Refinancing/Construction	
Locations:	BroMenn Regional Medical Center, Virginia at Franklin Avenues, Normal, IL 61761-3557, and Eureka Hospital, 101 S. Major Street, Eureka, IL 61530-1278	
Applicant:	BroMenn Healthcare	
Organization:	501 (c)(3) Not-for-Profit Corporation	
State:	Illinois	
Board of Trustees:	George A. Farnsworth	Rhonda Ferrero-Patten
	Ron Hodel	Roger S. Hunt, FACHE
	Donna Hartweg,	Roger Joslin
	Barbara Baurer	Gary Knepp, D.O.
	Johnene Adams	James McCriskin, D.O.
	Paul Bates	Phares O'Daffer
	J. Gordon Bidner	Carol Struck, Ed.D
	Rev. Rich Bucher	James Swanson, M.D.
	John Esch, M.D.	

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Gardner, Carton & Douglas	Chicago	Steve Kite
Accountant:	Ernst & Young	Chicago	Tadd Ingles
Bond Counsel:	Jones Day	Chicago	Mike Mitchell
Underwriter:	Piper Jaffray	Chicago	Nessy Shems
Underwriter's Counsel:	Katten Muchin Zavis Rosenman	Chicago	Renee Friedman
Financial Advisor:	Kaufman Hall	Northfield	Terri Wareham
Bond Trustee:	TBD		
Issuer's Counsel:	TBD		

LEGISLATIVE DISTRICTS

	Normal	**Eureka**
Congressional:	11 – Jerry Weller	18 – Ray LaHood
State Senate:	44 – William Brady	53 – Dan Rutherford
State House:	88 – Dan Brady	106 – Keith Sommer

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ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
January 23, 2004

Deal: **Franciscan Communities, Inc. Obligated Group (St. Joseph Village Project)**

STATISTICS

Deal Number:	H/HO/TE/CD-004	Amount:	$21,000,000 (Not to exceed amount)
Type:	Not-for-Profit Bond	PA:	Pam Lenane and Sharnell Curtis-Martin
Location:	Chicago	Est fee:	$55,436.91

BOARD ACTION

Preliminary Bond Resolution
Conduit 501(c)(3) Bonds
No IFA funds at risk

Staff recommends approval
No extraordinary conditions

PURPOSE

Bond proceeds will be used to finance the construction of a skilled nursing facility and assisted living facility to be located in Chicago, to fund a debt service reserve, to pay capitalized interest, to pay certain bond issuance costs and to refinance the Borrower's existing tax-exempt bond obligations originally issued by the Illinois Health Facilities Authority.

VOLUME CAP

No Volume Cap is required for 501(c)(3) Bond financing.

VOTING RECORD

Not applicable.

ESTIMATED SOURCES AND USES OF FUNDS

Sources:	IFA bonds	$17,880,000	Uses:	Project Costs	$16,594,000
	Equity	5,000,000		Refunding Escrow	3,500,000
				Debt Service Reserve	1,006,600
				Capitalized Interest	1,230,850
				Issuance Costs	548,550
	Total	$22,880,000		Total	$22,880,000

JOBS

Current employment:	~1,700 FTEs (entire obligated group)	Projected new jobs:	N/A
Jobs retained:	90	Construction jobs:	100

Note – St. Joseph Home currently has approximately 162 FTEs. The replacement project will decrease capacity for residents and will have a corresponding decrease to FTEs, resulting in the retention of 90 FTEs.

BUSINESS SUMMARY

Background: The Franciscan Communities, Inc. (the "Borrower") is a 501(c)(3) corporation incorporated under Indiana law. The Borrower owns and operates 13 senior living facilities with a total of 2,230 units/beds located in Illinois, Indiana, Kentucky, and Ohio, which comprise the ("Obligated Group").

The Franciscan Sisters of Chicago Service Corporation ("FSCSC"), an Illinois nonprofit corporation, is the sole corporate member of the Borrower. The senior living communities owned and operated by the Obligated Group are sponsored by and affiliated with the Franciscan Sisters of Chicago ("FSC"). FSCSC and FSC have no obligation or liability with respect to payment of debt issued by the Obligated Group.

Description: FSC was founded in 1894 and its members have dedicated themselves to the care of the aged and the sick in hospitals and nursing homes, the education of students at the elementary and secondary levels, the operation of day care centers, religious education, pastoral ministry, social service activities and the ministry of prayer and suffering. FSC ministers in Illinois, Indiana, Ohio and Kentucky. The General Minister and the members of the General Council of FSC constitute the Board of Directors of FSC, an Illinois not-for-profit corporation, and are also the members of FSCSC.

FSCSC was organized to coordinate all FSC-sponsored facilities and assist FSC in establishing and extending its charitable mission in health care, social and pastoral services and education. FSCSC is the sole corporate member of the Borrower as well as a number of other organizations outside of the Obligated Group, all of which further the mission of FSC.

The Obligated Group is pursuing a tax-exempt bond issuance to provide new money for the replacement of one of its Illinois nursing facilities.

St. Joseph Home (the "Home") is a nonprofit 172 nursing bed facility located in the Logan Square area of Chicago, Illinois that primarily serves Medicaid-eligible seniors. Due to the age and obsolescence of the facility, the Borrower is pursuing a tax-exempt bond issuance in an amount not to exceed $20 million to construct, furnish and equip a replacement nursing facility eight blocks west of its current campus. The replacement facility would be located on the former site of Madonna High School. The land on which the high school was located has been donated to the Home as equity in the project. The address of the new facility, to be known as St. Joseph Village, is 4055 West Belmont in Chicago, Illinois.

The replacement facility will consist of 54 nursing beds and 40 assisted living units, 11 of which will be dementia units. The facility would continue to primarily serve Medicaid-eligible seniors. In addition to the land, it is the intent of the sponsoring organization, the Franciscan Sisters of Chicago Service Corporation, to contribute $5 million towards the construction of the project.

In addition to the new money project, the Obligated Group intends to refund approximately $3.5 million of outstanding Variable Rate Demand Bonds ("VRDBs") originally issued by the Illinois Health Facilities Authority.

The issue will consist of both fixed rate bonds and EXTRAS[sm] (Extendable Rate Adjustable Securities, a proprietary product created and sold by Ziegler Capital Markets Group). All of the bonds will be federally tax-exempt and sold to retail investors.

Remarks: The primary service area for the new senior living community includes the following twelve zip codes: 60110, 60612, 60614, 60618, 60622, 60625, 60630, 60634, 60639, 60641, 60647 and 60657. This new, high quality senior living community will provide needed care to seniors in a somewhat underserved area of Chicago. Franciscan Communities is a well known and highly reputable senior living system that strives to provide quality healthcare and housing to seniors across a range of economic levels.

Financials: **Franciscan Communities, Inc.**
Audited Financial Statements 2001 - 2003

	Fiscal Years Ended June 30,		
	2001	2002	2003
	(Dollars in 000's)		
Income Statement:			
Net resident service revenue	$80,720	$88,991	$94,875
Revenues less than expenses	(6,363)	(6,199)	(9,687)
Balance Sheet:			
Current assets	$23,707	$26,927	$24,003
Assets limited as to use	56,750	43,005	39,016
PP&E, net	111,652	124,017	123,096
Other assets	6,762	6,166	5,976
Total assets (1)	198,871	200,115	192,091
Current liabilities	14,698	18,684	15,944
Long-Term Debt, net of current maturities	98,075	96,774	96,280
Other liabilities	18,357	21,355	22,598
Net assets	67,741	63,302	57,269
Total liabilities & net assets	$198,871	$200,115	$192,091
Ratios:			
Debt service coverage	1.78x	1.94x	1.49x
Days Cash on Hand	184	165	145
Cash to Debt	43.3%	41.7%	39.4%
Current ratio	1.6	1.4	1.5
Debt/net assets	144.8%	152.9%	168.1%

(1) Includes unrestricted cash and investments of $42.5 million, $40.38 million and $37.93 million in fiscal years 2001, 2002 and 2003, respectively.

Discussion: Liquidity has declined during the three-year period due to strategic growth and acquisitions. FSCSC and FC together have well over $100 million of cash (although neither is liable with respect to any of the Borrower's debt). FC and FSCSC have periodically transferred cash to the Obligated Group in order to invest in new projects. Occupancy at the various communities has been strong.

The Obligated Group completed several refunding (i.e., refinancing) issues in 2003 that will have a positive impact on the income statement going forward.

The Borrower has experienced operating losses due to a number of factors that have impacted most senior living communities: decreases in Medicare and Medicaid rates, delays in receipt of payment from government agencies, rising insurance costs, investment losses and certain required accounting changes that impacted the income statement.

The outlook for improved operating performance is very good due to a number of operational factors – staffing levels have stabilized for the near future (this is a growing system that has needed to add staff to keep up with growth), new facilities are reaching higher levels of occupancy, low interest rates have replaced higher ones, resident fee increases in certain areas, and minimal increases in the cost of supplies relative to growth in resident population.

FINANCING SUMMARY

Security:	Consists of gross revenue pledge and master notes under a master indenture. This Obligated Group does not grant a mortgage on any of its financings. Covenants and other legal provisions are generally consistent with those in use throughout the senior living industry
Structure:	One series of fixed rate non-rated bonds and one series of non-rated EXTRAS^{sm}. All of the bonds will be federally tax-exempt.
Maturity:	30 years

PROJECT SUMMARY

Bond proceeds will be used to (i) refinance all or a portion of the Series 1996B, 1996C, 1996E and 2001 Bonds; (ii) pay or reimburse the Borrower for the payment of the costs of acquiring, constructing, renovating, remodeling and equipping certain of its health care facilities, including the construction and equipping of an approximately 54-bed replacement skilled nursing facility and approximately 40-bed assisted living facility to be located at 4055 West Belmont, Chicago (Cook County), Illinois 60641-4700, (iii) pay a portion of the interest on the Bonds, (iv) fund a debt service reserve fund for the benefit of the holders of the Bonds, and (v) pay certain bond issuance costs.

ECONOMIC DISCLOSURE STATEMENT

Project name:	Franciscan Communities, Inc. – St. Joseph Village Project New Money/Refinancing Obligated Group Home Office: 1055 West 175th Street, Homewood, IL 60430
Location:	St. Joseph Village: 4055 West Belmont, Chicago, IL 60641-4700
Applicant:	Franciscan Communities, Inc., an Obligated Group
Organization:	501(c)(3) Not-for-Profit Corporation
State:	Illinois
Board of Trustees:	Mr. Leonard A. Wychocki Sr. M. Francis Clare Radke Walter Garbarczyk Sr. M. Francine Labus, OSF

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Katten Muchin Zavis Rosenman	Chicago	Elizabeth Weber
Accountant:	Ernst & Young	Chicago	Tadd Ingles
Bond Counsel:	Jones Day	Chicago	John Bibby
Underwriter:	Ziegler Capital Markets Group	Chicago	Dan Hermann
Underwriter's Counsel:	Gardner, Carton & Douglas	Chicago	Steve Kite
Bond Trustee:	Amalgamated Bank of Chicago	Chicago	Michele Martello
Issuer's Counsel:	Aronberg Goldgehn Davis & Garmisa	Chicago	Paul Gilman

LEGISLATIVE DISTRICTS

Congressional:	5 – Rahm Emanuel
State Senate:	20 – Iris Martinez
State House:	40 – Richard Bradley
City Clerk:	James Laski, 121 N. LaSalle Street, Chicago, IL 60602

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To: IFA Board Members

From: Steven Trout, Program Administrator

Date: January 14, 2004

Re: **Project Revision: First Crawford State Bank's Request to Increase its Loan to Eagle Theater Corporation (Participation Loan #9835-PL)**

IDFA's Board approved a $300,000 participation in a $650,000 loan made by First Crawford State Bank to Eagle Theater Corporation on March 13, 2003. This loan partially financed the construction of a five-screen 600-seat movie theater in Robinson. (See attached project summary for additional details.) The US Department of Agriculture Rural Development Agency will guarantee 80% of First Crawford's loan (and IFA's share), once the project receives a certificate of occupancy.

Management expected the project to be completed by the end of November at a cost of $985,000. Management now expects that the project will not to be complete until February 2 and that costs will run $81,000 over budget. Cost overrun sources are:

- Blueprints used to estimate costs were missing several items ($20,391)
- Some exterior additions were made to improve appearance and functionality when funds appeared to be sufficient ($24,576)
- Changes were made to improve concession area flow and improve heating ($8,064)
- Pre-operating working cash needs were underestimated due to the delay in opening ($20,000 to $25,000)

The owners will contribute $21,000 in additional equity. First Crawford has agreed to increase its loan by $60,000 subject to approval by IFA and the subordinate lenders. IFA's participation will not change, as we are currently at our $300,000 limit for this participation loan. IFA's share of the loan and security interest will be reduced in proportion to its share of the total loan from 46.15384% to 42.25352% (or ($300,000/$710,000).

First Crawford remains comfortable with the project despite the overruns and delays. Management has presold $8,000 in tickets and $20,000 in advertising. The Bank is now collecting subordination agreements from the subordinate lenders (Greater Wabash Planning Commission, Crawford County, Robinson Chamber of Commerce and City of Robinson) and expects no problems getting this completed with the next week or so.

ILLINOIS DEVELOPMENT FINANCE AUTHORITY
BOARD SUMMARY

Deal: **Eagle Theater Corporation**

STATISTICS

Deal Number:	9835	Amount:	$300,000
Type:	PL	PA:	Steven Trout and Townsend Albright
Locations:	Robinson	Tax ID:	Not Yet Obtained
SIC Code:	7832 (Motion Picture Theaters)	Est. fee:	NA

BOARD ACTION

Participation Loan — Staff recommends approval subject to UDDA's 80% guarantee

$300,000 of IDFA funds at risk (of which 80% or $240,000 of IDFA funds will be secured by a Business and Industry Loan Guarantee from the US Department of Agriculture Rural Development Agency)

PURPOSE

Acquisition, renovation and equipping of a 20,000 square foot building in Robinson, for use as a five-screen 600-seat movie theater.

VOTING RECORD

This project is presented for first and final Board consideration.

SOURCES AND USES OF FUNDS (ORIGINAL PROJECT)

Sources:	First Crawford State Bank	$350,000	Uses:	Project Costs	$905,000
	IDFA Participation	300,000		Working Capital	36,000
	Subordinated Loans:				
	Greater Wabash Planning Commission	25,000		Legal and Contingency	44,000
	Crawford County	50,000			
	Robinson Chamber of Commerce	15,000			
	City of Robinson	45,000			
	Equity	200,000			
	Total	$985,000		**Total**	$985,000

* Equity consists of $20,000 invested by the founding shareholder and loan guarantor, Kurt Eric Gubelman, and $180,000 raised from local investors. Currently $175,000 of the full amount is committed, subject to approval of the loan from the bank and IDFA.

JOBS (ORIGINAL PROJECT)

Current employment:	0	Projected new jobs:	10
Jobs retained:	0	Construction jobs:	25 (6 months)

BUSINESS SUMMARY

Background: Kurt Gubelman, a private insurance consultant, real estate investor and grants coordinator for Unit 2 School District, recently established Eagle Theatre Corporation to develop a first-run, five-screen theater in the former Moose Lodge in downtown Robinson.

Description: Mr. Gubelman plans to offer a variety of first-run movies with stadium seating, a state-of-the-art sound system at an affordable price (averaging $5.50 per ticket). Eagle Theaters will occupy 12,000 square feet of the building and hopes to lease the remaining 8,000 square feet to businesses that would benefit from the theater's customer traffic.

Mr. Gubelman has engaged Nova Cinetech, a Sandwich-based theater consulting firm and operator of 108 movie screens in 8 Midwestern states, to develop a business plan and conduct a market study to confirm demand for the project. The borrower has licensed a theater format designed by Nova Cinetech that is suited for use in smaller auditoriums. Eagle Theaters will participate in a purchasing agreement with Nova Cinetech to enhance its offerings and minimize prices for movie rentals and concession supplies.

Financing for the project consists of loans from the area's leading bank, the regional planning commission, the county, the city and the local chamber of commerce and equity provided by the founder and local investors. The United States Department of Agriculture's Rural Development Agency will guarantee Eighty percent of the loan amount.

The loans will be further supported by personal guarantees from Mr. Gubelman and his wife, Sharon, a teacher at a middle school in Robinson. Mr. Gubelman was born and raised in the area, but left after college to live in the Chicago area. Prior to his return to the area in 2001, Mr. Gubelman started and published a weekly newspaper, invested in real estate, and worked as an insurance consultant, health care administrator, and a mayoral assistant.

Borrower Financials: Projections for 2003 through 2006 based on a forecast of operations prepared by Nova Cinetech. Balance sheet forecast prepared by staff. (All figurers in $000s.)

	2003	2004	2005	2006
Income Statement				
Revenues	199	591	591	591
Net Income	10	59	60	62
Balance Sheet				
Current Assets	40	62	82	101
Net Fixed Assets	937	898	861	823
Total Assets	977	960	943	924
Current Liabilities	46	48	50	52
Long-term Debt	726	678	628	576
Equity	205	234	265	296
Total Liabilities and Equity	977	960	943	924
Ratios				
Debt Service Coverage	1.24	1.64	1.64	1.63
Current Ratio	0.87	1.29	1.64	1.94
Long-term Debt to Equity	3.54	2.90	2.37	1.95

Discussion: The forecast assumes a six-month construction period beginning April 1 and opening by September 1. The income statement forecast is based a forecast prepared by Nova Cinetech, in its capacity as consultant for the project. The figures are based on 83,000 admissions per year, an average ticket price of $5.50 and average concession revenue of $2 per patron.

The admissions estimates are prepared by applying national movie attendance rates to the number of people living within a 12-mile radius. The minimum attendance required to break-even is 63,300, which is 24% below projections.

Average prices are projected to be lower than the theater in Terre Haute ($6.50) but slightly higher than the theater in Vincennes. Eagle Theaters will offer stadium seating compared to traditional sloping seating in Vincennes. Cost estimates are based on Nova Cinetech's experience operating similar theaters in the area.

The project's low capital costs and favorable financing provide a valuable ongoing competitive advantage. The consultants estimate that similar projects typically cost $1.4 million to complete, compared to $1 million in this case. The project will further benefit from low interest rates now available and below market rate financing offered by government and civic lenders.

Market Demand:

Nova Cinetech estimates that the project will generate 83,000 admissions per year. Nova Cinetech prepared this estimate in 1997 when Mr. Gubelman and other investors had considered constructing a 3-screen movie theater in Robinson. Novatech estimated the number of admissions by discounting the rate of the current national movie attendance and applying that rate to the number of people living within a 12-mile radius of from the theater.

Buck Kolkmeyer, Novatech's CEO and President confirmed the 1997 estimate on February 5, 2003. The area's population has remained stable since 1997 and no new entertainment options have been attracted to the area since 1997. Eagle Theater will be the closest theater for everyone in the 12-mile radius, as the nearest theaters are 30 miles and 40 minutes away. The conservative forecast assumes no admissions from people living in Newton, Casey and Sullivan, which are equidistant to existing theaters in Terre Haute, IN and Vincennes, IN. Factors pointing to more admissions than projected in 1997 are current plans for 5 screens instead of 3 planned in 1997 (which should broaden the theater's appeal) and increased national per capita movie attendance from 5.0 in 1996 (the base year for statistics used in the 1997 study) to 5.8 in 2002.

Nova Cinetech's demographic statistics for the theater's market (12 miles from the junction of Illinois highways 33 and 1) closely track US Census Bureau statistics for Crawford County. Review of the area's demographic statistics indicates that it can support a movie theater. The area has a stable population, high home ownership rates, and acceptable median household income and current unemployment rates.

	Market Area Nova Cinetech	Crawford Co. US Census
Population	2002 Forecast: 19,913 1997 Estimate: 20,251 1990 Census: 19,574 1980 Census: 20,970	2001 Estimate: 20,251 2000 Census: 20,452 1990 Census: 19,464 1980 Census: 20,818
Home Ownership Rate		2000 Census: 80.3% Illinois Avg.: 67.3%
Median Household Income:	1997 Estimate: $28,563	1999 Estimate: $32,531 Illinois Avg.: $46,590
Unemployment Rate: Source: Illinois Department of Employment Security		December 2002: 7.7% Illinois Avg.: 6.4%

Guarantor Financials:	The Gubleman's reported $168,000 in income for 2002 and $252,000 in net worth as of December 2002 in their personal financial statement filed with First Crawford State Bank. (See Appendix 1 for a summary of income for 2000, 2001 and 2002 and balance sheet as of December 2002.) The Gubelman's income in 2001 dipped from prior year levels following unemployment and relocation from Freeport to Robinson. Since then, the Gubelman's have both secured employment with the local school district. Mr. Gubelman has diversified the family's income by expanding his insurance consultancy and acquiring eight income-producing properties in the area. The Gubelman's liquidity appears adequate and leverage manageable. Rental income from the residential properties covers the associated monthly mortgage payment by 1.7 times. Monthly income from all sources covers total debt payments by 4.0 times.

FINANCING SUMMARY

Structure:	$300,000 participation loan in a $650,000 Term Loan from First Crawford State Bank.
Bank Security:	The Bank and IDFA will be jointly secured by the following: (1) first mortgage on the subject real estate; (2) first security interest in financed equipment and all other business assets (subject to negotiation); (3) personal guarantee from Kurt and Sharon Gubelman, and (4) a Business and Industry Guarantee for 80% of the loan balance from the USDA's Rural Development Agency. The USDA has given preliminary approval for the project but is requiring an independent feasibility student to confirm Nova Cinetech's demand estimates prior to seeking final approval.
Priority:	The bank loan and IDFA's exposure will be on a first lien/security basis. All other debt will be subordinate to our loan.
Maturity:	10 years from closing. The loan will amortize over 15 years, with a balloon payment due to IDFA at the end of 10 years.
Interest Rate:	IDFA's interest rate will be the Bank Rate less 1.5%. The Bank Rate will be set for the first 5 years at a fixed rate tied to the Treasurer of Illinois' Deposit Link Rate prevailing at the time of closing. Currently this rate plus the bank's required margin is 5%.
Other:	Bank approval is subject to appraisal, approval of secondary financing, verification of credit, lien waivers on construction, committed Deposit Link funds, the Rural Development Agency's guarantee and personal guaranties of Mr. and Mrs. Gubelman.

PROJECT SUMMARY

Loan proceeds will be used to purchase, renovate and equip a 20,000 square foot commercial building, formerly known as the Moose Lodge, located on 1301 West Mefford Street in Robinson, Illinois 62454, Crawford County for use as a 5-screen movie theater. The complex will seat 500 patrons, with 2 auditoriums each configured for 150 seats and the other 3 auditoriums each configured for 100 seats. Approximately 8,000 square feet of the building will remain unoccupied and may be leased to other tenants. Estimated project costs are:

Building Acquisition	$ 200,000
Building Renovations	345,000
Movie Equipment	335,000
Concession Equipment	25,000
Total	**$ 905,000**

STRENGTHS AND WEAKNESSES

Strengths	Weaknesses
USDA Guarantee for 80% of exposure	Start-up Operation
Closest theater is a 40-minute drive away	
State-of-the-art sound and visual experience	
5 screens to appeal to broad audience	
Ties to large theater operator/consultant	

ECONOMIC DISCLOSURE STATEMENT

Applicant: Kurt and Sharon Gubelman (Co-Guarantors); 905 North Cross Street, Robinson, IL 62454 (618) 544-2622
Project name: Eagle Theater Corporation (Kurt and Sharon Gubelman) Development Project
Obligor: Eagle Theater Corporation
Guarantor: Kurt and Sharon Gubelman
Location: 1301 West Mefford Street, Robinson (Crawford County), IL 62454
Organization: Illinois Corporation

Owners:			
Kurt Eric Gubelman	Robinson	26,000 Shares	50.275%
Jason Sutfin	Robinson	2,143 Shares	4.144%
Larry Beabout	Robinson	2,143 Shares	4.144%
Shane Whyte	Robinson	2,143 Shares	4.144%
Mark Schusky	Collinsville	2,143 Shares	4.144%
Vince and Alicia Mickey	Robinson	2,143 Shares	4.144%
Steve Cook	Robinson	2,143 Shares	4.144%
Northwest Illinois Community Action Agency	Freeport	2,143 Shares	4.144%
Fred Walas	Robinson	1,072 Shares	2.073%
Fred Scott	Robinson	1,072 Shares	2.073%
Don Gubelman	Robinson	714 Shares	1.381%
Shares to be sold prior to loan closing		7,857 Shares	15.192%

Northwest Illinois Community Action Agency is an Illinois 501c)(3) corporation. Current board members are:

Richard Machala, President	Galena
Beverly Shouer, Secretary	Freeport
Tony Sciutto, Treasurer	Freeport
Dana Zimmerman, Vice President	Freeport
Warren Burstorm	Freeport
Diane Heller	Galena
Vickey Every	Galena
Christina Brokhausen	Dakota
Shawn Boldt	Freeport
Sandra Kubatzke	Freeport
Corrine Bruce	Freeport
Helen Shamberger	Stockton
Charlice Offenheiser	Elizabeth

PROFESSIONAL & FINANCIAL

Counsel:	TBD	Robinson, IL	
Accountant:	TBD	Robinson, IL	
Bank:	First Crawford State Bank	Robinson, IL	A. Kent Boyd
Contractor:	W.W. Construction	Robinson, IL	Shane White

LEGISLATIVE DISTRICTS

Congressional:	15	Timothy V. Johnson
State Senate:	55	Dale A. Righter
State House:	109	Roger L. Eady

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Appendix 1:
Guarantor Financials

Summary of income for 2000 and 2001 from federal income tax returns. Income estimate for 2002 and balance sheet as of 12/12/02 from personal financial statement submitted to First Crawford State Bank.

	Actual 2000	**Actual 2001**	**Estimate 2002**
Income			
Mr. Gubelman's Wages	43,825	10,968	45,000
Ms. Gubelman's Wages	14,227	26,479	35,000
Interest	7,284	208	N/A
Insurance Consulting	9,990	26,159	40,000
Capital Gains (Losses)	119,136	(1,922)	N/A
Rental Income (Losses)	(68,382)	0	48,000
Unemployment Compensation	3,528	1,121	0
Other	3,182	1,016	0
Total	132,790	64,029	168,000
Balance Sheet As of 12/12/02			
Assets			
Cash			25,000
Motor Home			35,000
Retirement Accounts			90,000
Owner-occupied Home			144,000
Real Estate Investments			399,500
Total Assets			693,500
Liabilities			
Credit Card Balance			1,024
Motor Home Loan			25,000
Home Mortgage			100,000
Investment Real Estate Mortgages			304,668
Total Liabilities			440,792
Net Worth			252,708

TTY 1.800.526.0844
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ILLINOIS FINANCE AUTHORITY

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Rod R. Blagojevich
Governor

To: IFA Board of Directors

From: John Haderlein
Senior Bond Counsel

Date: January 14, 2004

Re: $23,910,000 Illinois Development Finance Authority, Variable Rate Demand Revenue Bonds, Series 1999 (Jewish Federation of Metropolitan Chicago Projects) and

$41,810,000 Illinois Development Finance Authority, Variable Rate Demand Revenue Bonds, Series 2002 (Jewish Federation of Metropolitan Chicago Projects).

Board Action Requested

Approve changes restructuring these bonds.

Background

The Illinois Development Finance Authority issued two series of multi-modal variable rate bonds for the benefit of the Jewish Federation of Metropolitan Chicago and several of its affiliated agencies, namely, Council for Jewish Elderly, Jewish Community Centers of Chicago, JFMC Facilities Corporation, Mount Sinai Hospital Medical Center of Chicago and Mount Sinai Community Foundation. The names of the bond issues are as follows:

$23,910,000 Illinois Development Finance Authority, Variable Rate Demand Revenue Bonds, Series 1999 (Jewish Federation of Metropolitan Chicago Projects) and

$41,810,000 Illinois Development Finance Authority, Variable Rate Demand Revenue Bonds, Series 2002 (Jewish Federation of Metropolitan Chicago Projects).

These bonds have been in the Daily or Weekly interest rate modes since their initial issuance. The Jewish Federation and the Agencies now wish to do the following with respect to the two existing bond issues:

1. Change the interest rate mode on the Bonds to the Adjustable Long Rate (a rate that can be 367 days or more, but not longer than the maturity of the Bonds). The Bonds not changed to serial bonds pursuant to number 2 below will have a 3-5 year Adjustable Rate Period once this change is made.

2. Serialize the earlier mandatory sinking fund payments occurring during the next 4-5 years, changing the sinking fund payments to actual maturity dates.

3. Drop the liquidity facility (but not the insurance) on the Bonds. AMBAC will have to consent to this and they have verbally agreed to this subject to legal review of the changes. Bondholders will look to the Borrowers for payment of any unremarketed put at the end of the Adjustable Long Period.

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4. Hold a TEFRA hearing and obtain Governor approval. For federal tax purposes, a reissuance is triggered, and a TEFRA hearing and approval may be required to maintain the tax-exempt status of the Bonds. From a state law point of view, we are not reissuing the bonds; we are simply making amendments pursuant to the terms of the initial documents.

5. Amend bond documents to provide for the changes enumerated in 1 - 3 above.

Recommendation

Staff recommends that the board adopt a resolution amending certain bond documents in order to allow the bonds to be restructured consistent with the foregoing.

c:\0104\amend1.doc

GLOSSARY OF ACRONYMS AND TERMS USED BY IFA

I. Terms commonly used in IFA write-ups

Bond Counsel	On financing team for Borrower
Issuers Counsel	Outside counsel to represent IFA
AD	Restructuring Ag Debt Guarantee
AL	Assisted Living
B	Business
CD	Conduit
CF	Coal Fired Power Plants
CL	Construction Loan Interim Financing
CP	Community Provider
DC	Distressed Cities
E	Education/Cultural
FF	Fund to Funds
FR	FreshRate
FT	Fire Truck Revolving Loan
GO	Local Government Obligation
GP	Local Government Pooled Bond
GR	Local Government Revenue Bond
H	Health Care

HO	Hospital
HF	Health Facility
I	Industrial
ID	Industrial Development Bonds
IF	Tax Increment Financing
IFA	Illinois Finance Authority
L	Local Government
LOC	A form of supplement or, in some cases, direct security for a municipal bond under which a commercial bank or private corporation guarantees payment on the bond under certain specified conditions
M	Mortgage
MH	Multifamily Housing
MS	Medical School
NP or FP	Not for Profit
NH	Nursing Home
P	Pollution Control
PC	Private College
Placement Agent/ Underwriter	Securities firm that purchases Bonds and places with investors. Engaged by Borrower
PF	Private Foundation

PL	Participation Loan
PO	Pollution Control/Environment
PS	Private School
Private Placement	Negotiated sale in which the new issue securities are sold directly to institutional or private investors rather than through a public offering.
PW	Pooled Warrant Program for School
RD	Rural Development
SD	Local School District
SG	Specialized Livestock Guarantee
SL	Senior Living
SS	Local Special Service Area
SW	Solid Waste
TA	Tax Anticipation Notes
TB	Technology Development Loan
TX	Taxable
RE	Refunding
UR	Water or Gas - Utility Revenue Bonds
V	Venture Capital
YF	Young Farmer Guarantee

II. General Bond and Financing Terms

Amortize	**Retire the Principal of an issue by periodic payments either directly to bondholders, or first to a Sinking Fund and then to bondholders.**
Arbitrage	**Interest rate differential that exists when proceeds from a municipal bond which is tax-free and carries a lower yield are invested in taxable securities with a yield that is higher. THIS IS ILLEGAL solely as a borrowing tactic per 1986 Tax Reform Act.**
Average Life	**Average length of time an issue of serial bonds and/or term bonds with mandatory sinking funds and/or estimated prepayment is expected to be outstanding.**
Basis Point	**One one-hundredth of one percent (1/100% or 0.01 percent) 100 basis points equal one percent.**
Capitalized Interest	**A portion of the proceeds of an issue that is set aside to pay interest on the securities for a specified period of time.**

Conduit Bonds	**Bonds whose repayment is the responsibility of the business or developer who benefits from the financing, rather than the issuer who only collects the taxes, fees or revenues and passes them on to the bondholder.**
Cost of Issuance	**Expenses associated with the sale of new issue of municipal securities, including such items as underwriter" spread, printing, legal fees and rating costs.**
Covenant	**Legally binding commitment by the issuer of municipal bonds to the bondholder.**
Debt Ratio	**Ration of the issuer's general obligation debt to a measure of value, such as real property valuations, personal income, general fund resources, or population.**
Debt Service	**Required payments for principal and interest.**
Debt Service Fund	**Separate account in the overall sinking fund into which moneys are placed to be used to redeem securities, by open-market purchase, request for tenders or all, in accordance with a redemption schedule in the bond contract.**
Default	**Breach of some covenant, promise or duty imposed by the bond contract – failure to pay in a timely manner principal and/or interest when due.**
Direct Sale	**Sale of new security by the issuer to investors, bypassing the underwriter or middleman.**

Face Value	**Stated principal amount of a bond**
Fiscal Agent	**Also known as Paying Agent – bank, designated by the issuer to pay interest and principal to the bondholder.**
Fixed-interest	**Bond with an interest rate that stays the same over its life span.**
Floater	**Variable rate – Method of determining the interest to be paid on a bond issue by reference to an index or according to a formula or other standard of measurement at intervals as stated in the bond contract.**
GO	**General Obligation Bonds – voter approved bonds – backed by the full faith, credit and unlimited taxing power of the issuer**
Indenture	**Bond Contract – states time period for repayment; amount of interest paid etc.**
Maturity	**Length of time before the principal amount of a bond is due to the bondholders. It is the time until a bond may be surrendered to its issuer.**
MO	**Moral Obligation Bonds – sold by state without voter approval and are used for specific purposes – in the event of a shortfall, it is implied that the state will make up the difference.**

OS	**Official Statement – Prospectus document circulated for an issuer prior to a bond sale with salient facts regarding the proposed financing. There are two: Preliminary/or Red Herring because some of the type on its cover is printed in red and, (it is subject to final change and update upon completion of sale of bonds) it is supposed to be available to the investor before the sale; Final OS must be sent to the purchaser before delivery of the bonds.**
Par Value	**Face value of bond – generally $1000**
Pari Passu	**Equitably and without preference – all equal**
Principal	**Amount owed; face value of a debt**
Public Offering	**Sale of bonds (generally through an underwriter) to the general public (or a limited section of the general public).**
Refunding Bond	**Issuance of a new bond for the purpose of retiring an already outstanding bond issue.**
Revenue Bond	**Municipal Bond whose debt service is payable solely from the revenues derived from operating the facilities acquired or constructed with the proceeds of the bonds**
Secondary Market	**Trading market for outstanding bonds and notes.**

Serial Bond	Bond of an issue that features maturities every year, annually or semiannually over a period of years, as opposed to a Term Bond, which is a large block of bonds maturing in a single year.
Sinking Fund	Fund established by the bond contract of an issue into which the issuer makes periodic deposits to assure the timely availability of sufficient moneys for the payment of debt service requirements.
State & Local Government Series	United States Treasury obligations, which take the form of Treasury Notes, Treasury Bonds or Treasury Certificates of Indebtedness. The US Government created a "State & Local Government Series" of such notes, bonds and certificates to allow municipal bond proceeds to be put into "permitted" investments which would comply with IRS arbitrage provisions, and to not engage in "yield burning".
Swap	Exchange of one bond for another. Generally, act of selling a bond to establish an income tax loss and replacing the bond with a new item of comparable value.
Tax-Exempt Bond	Bonds exempt from federal income, state income, or state tax and local personal property taxes. States do not tax instruments of the federal government and the federal government does not tax interest of securities of state and local governments.

Technical Default	**Failure by the issuer to meet the requirement of a bond covenant. These defaults do not necessarily result in losses to the bondholder. The default may be cured by simple changes of policy or actions by the issuer.**
Term Bond	**Bonds comprising a large part of all of a particular issue that come due in a single maturity.**
Trust Indenture	**Contract between the issuer of municipal securities and a trustee, for the benefit of the bondholders.**
Trustee	**Bank designated as the custodian of funds and official representative of bondholders. Trustees are appointed to insure compliance with the trust indenture and represents bondholders to enforce their contract with the issuer.**
Underwrite	**Agreement to purchase an issuer's unsold securities at a set price, thereby guaranteeing the issuer proceeds and a fixed borrowing cost.**
Underwriter	**Dealer that purchases a new issue of securities for resale.**
Variable Rate Demand Bond	**Bond whose yield is not fixed but is adjusted periodically according to a prescribed formula.**
Yield	**Measure of income generated by a bond**
Yield to Maturity	**Rate of return anticipated on a bond held until maturity**

Illinois Finance Authority
Market and Product Codes

Market	Market Code	Submarket	Submarket Code	Type of Product	Type Code
Industrial	**I**	Industrial Development Bonds	**ID**	Tax Exempt	**TE**
		Utility Revenue Bonds	**UR**	Taxable	**TX**
				Refinancing	**RE**
Mortgage	**M**	Multifamily Housing	**MH**	Conduit	**CD**
		FreshRate	**FR**	Non-Conduit	**NC**
				Moral Obligation	**MO**
Pollution Control	**P**	Solid Waste	**SW**	Tech Devl Loan	**TB**
		Pollution Control	**PO**	Fund to Funds	**FF**
		Coal Fired Power Plants	**CF**		
Business	**B**	Loans	**LL**		
		Rural Devel Loan	**RD**		
		Young Farmer Guarantee	**YF**		
		Specialized Livestock Guar	**SG**		
		Restructuing Ag Debt Guar	**AD**		
Venture Capital	**V**				
Education/Cultural	**E**	Private School	**PS**		
		Private College	**PC**		
		Private Foundation	**PF**		
Local Government	**L**	Local Gov. Obligation	**GO**		
		Local Gov. Pooled Bond	**PW**		

		Local Gov. Revenue	**GR**		
		Tax Increment Financing	**IF**		
		Local School District	**SD**		
		Local Special Service Area	**SS**		
		Distressed Cities	**DC**		
		Tax Anticipation Notes	**TA**		
		Construction Loan Interim Fin	**CL**		
		Fire Truck Revolving Loan	**FT**		
		Pooled Warrant Program for Schools	**PW**		
Health Care	**H**	Hospital	**HO**		
		AssistedLiving	**AL**		
		Nursing Home	**NH**		
		Senior Living	**SL**		
		Community Provider	**CP**		
		Health Facility	**HF**		
		Medical Schools	**MS**		

Illinois Finance Authority Rod R. Blagojevich, Governor
427 East Monroe, Springfield, Illinois 62701 Ali D. Ata, Executive Director
Telephone: (217) 524-2663 Telefax: (217) 524-0477 Local Government
Telephone: (217) 782-5792 Telefax: (217) 782-3989 Farm Loan Programs

MEMORANDUM

To: Mr. David Gustman, Chairman
Mr. Ali Ata, Executive Director

From: G. Eric Watson

Date: January 15, 2004

Re: Tax Anticipation Warrant Program for School Districts

Documents are being finalized to conduct an IFA Tax Anticipation Pooled Warrant Program bond issue to provide short-term lending assistance to school districts suffering from cash flow problems, generally related to the timeliness of their collection of property tax dollars. It is estimated the "pool" will consist of at least 5 school districts and a demand ranging from $30,000,000 to $50,000,000. We anticipate additional bond issues during the next year, tentatively targeting the month of June and sometime again in the fall/winter of 2004.

Implementation of the Pooled Warrant Program began more than a year ago and is similar to the program administered by the State of Indiana Bond Bank. In fact, the Illinois Rural Bond Bank, a predecessor agency of the IFA, was working with the financial advisor Crowe-Chizek who serves as the financial advisor for the Indiana Bond Bank.

The benefits of the IFA and the State of Illinois include: double tax exemption, highest credit rating, and "pooling" resulting in the sharing of the costs of issue and thusly lowering of costs to the borrower. We estimate an interest rate of 1.5 to 2%, inclusive of all costs. Other sources utilized by school districts for their borrowing have been charging anywhere from 3.5 to 6%. There will be no cost to IFA. School districts pledge their property tax receipts as security against the debt.

It is a great program with the opportunity to provide a tremendous savings to Illinois schools. Indiana issued more than $1,000,000,000 in tax warrants last year.

Once again, we hope to finalize all documents prior to the February meeting of the IFA Board and issue the bonds for the program shortly thereafter.

Please feel free to contact me if you have any questions or concerns. I can be reached directly by calling 217/557-8265 or toll free at 800/897-6306.

cc: Bill Morris

BOND BUYER

THE DAILY NEWSPAPER OF PUBLIC FINANCE Tuesday, January 6, 2004

File

New Illinois Authority Is In Business

Adopts Budget, Names Director

By Yvette Shields

CHICAGO — The board of the new **Illinois Finance Authority** yesterday adopted a $1.4 million interim budget for the remainder of the fiscal year, named an executive director, and formally hired several financial consultants that had worked on the consolidation of five statewide conduits into the IFA.

The board also approved a series of operational bylaws and a resolution that formally outlines its powers and responsibilities with respect to the management of the nearly $20 billion of outstanding debt inherited from the five agencies that were abolished on Dec. 31.

The abolished agencies are the **Illinois Development Finance Authority**, the **Illinois Health Facilities Authority**, the **Educational Facilities Authority**, the **Farm Development Authority**, and the **Rural Bond Bank**. The new agency has an additional $5 billion worth of borrowing room under statutes approved by the Illinois General Assembly last spring.

The authority has notified trustees of the transfer in management responsibilities, but lawyers working on the tran-

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Illinois

Continued from page 1

sition said the consolidation did not require a filing with the nationally recognized municipal securities information repositories.

The board hired **Ali Ata**, a member of the consolidation transition team, to serve a one-year term as the authority's executive director. His salary will be set at a later meeting. Board chairman **David C. Gustman** called Ata, who was one of two candidates nominated for the post by Gov. **Rod Blagojevich**, "exceptionally qualified."

Ata, 51, most recently served as chief executive officer of **AAIM LLC**, a real estate investment and management firm. He has held a number of corporate marketing management positions over the last two decades for **ONDEO-NALCO**, a water treatment chemical company. Ata also served as chair of the Building Committee and vice chair of the Finance Committee of the Board of Directors of St. Jude Children's Hospital, where he managed $500 million in construction projects.

Ata said he envisions "proactively" using the agency to promote the state's economic development agenda.

"We will be customer-friendly, market-oriented, and efficient," he said. The consolidation was aimed at better coordinating the work of the state's conduit borrowers, reducing operational costs and providing more assistance through loans, grants, and borrowing to strengthen the state's economy.

The board hired **KMZ Rosenman** as its general counsel, **Kirkpatrick Pettis** as financial adviser, and **Velma Butler & Associates** and **Washington, Pittman & McKeever** as budget and accounting advisers. All had worked on the transition team, along with state budget office officials **David Abel** and **Michael Lurie**. The firms will serve only on an interim basis until June 30, the end of the fiscal year, when the authority will make more long-term appointments.

A compensation package was also adopted for any of the roughly 40 employees of the former agencies not hired by Jan. 15. It provides employees with a severance package of two weeks' to four weeks' pay, depending on the length of their service.

The agency is expected to hire 22 full-time employees, with many of them coming from the IDFA. A handful of existing IDFA employees have already been asked to remain on the job, though they could not formally be offered positions until an executive director was hired by the board.

It was only last week that Blagojevich announced nine of the 15 members of the board, and their meeting on Monday was primarily limited to operational matters. Issues related to fees and policies on the use of underwriters, financial advisers, and bond counsel — all subjects on which local market participants are eagerly awaiting word — will be made over the next several months.

"You face a pretty big challenge in the next eight weeks because of the different policies of the agencies," Kirkpatrick Pettis' **William Morris** told the board in a presentation. Several of the previous agencies required that borrowers use specific law firms or financial advisers, while others were more lenient in requiring the use of approved firms.

The new agency inherits 14 pending transactions, and transition team members have been in contact with officials working on those deals to "assure everyone that they won't be derailed," Morris said. Despite those assurances, however, authority officials could not ensure that the policies on firm use eventually adopted by the new board would not cause some conflicts for those borrowers.

As promised by state budget director **John Filan**, the agency was up and running on the first business day of the New Year, despite concerns raised by some market participants based on a lack of public information about the new authority. State budget officials, busy with several bond deals and putting together a fiscal 2005 budget, did not begin working in earnest on the consolidation until the last few months.

Blagojevich still has six members of the board to appoint, and in one minor complication related to not having a full board in place yesterday, members had a difficult time finding a meeting date for later this month when a sufficient number of members would be available. Eight members are required for a quorum. Budget spokeswoman **Becky Carroll** said the delay in board appointments was due to the "lengthy" and difficult vetting process for candidates.

State officials have said privately that an ethics law, adopted by the state last year, has made it more difficult to find eligible candidates for board positions. The new law bans individuals registered as lobbyists with the state from serving on boards with decision-making powers and limits the amount board members who do state business can earn from that work. ❑

State finance authority names chief

New agency responsible for handling state bonds

By Kelly Quigley
January 05, 2004

In its first public meeting Monday, the board of the newly created Illinois Finance Authority named former real estate developer Ali Ata as executive director and passed a $1.4-million interim operating budget for fiscal 2004.

The Illinois Finance Authority (IFA) absorbs five former statewide bonding authorities and will be charged with issuing $5 billion in bonds across all industries with the goal of invigorating the state economy and adding jobs.

The IFA will issue tax-exempt bonds behalf of manufacturers, universities and other groups, which use the proceeds for hiring or capital improvements.

Previously, the bonding duties were handled by separate agencies devoted to development, health facilities, education and agriculture.

The IFA's slimmed-down structure "will significantly reduce operating costs, staff and bureaucracy," according to a statement from governor's office, which didn't give specifics.

The IFA has 22 employees split between Chicago and Springfield, compared with 40 employees and five offices under the old structure.

Mr. Ata, 51, will oversee the IFA's day-to-day operations from the Chicago office, temporarily based in the Sears Tower. He led the transition team that oversaw the bond authority consolidation, said a spokeswoman for the state Office of Management and Budget. She could not provide information on the salary Mr. Ata will draw from his new position.

Before heading the IFA, Mr. Ata was chief executive of AAIM LLC, a Chicago real estate investment and management firm, and held a number of management positions at Naperville-based Ondeo Nalco Co., a specialty water treatment chemical company. He also has served as vice-chair of the St. Jude Children's Hospital finance committee, where he managed $500 million in construction projects.

Mr. Ata could not be immediately reached for comment.

The agency's overall strategy will be guided by a 15-member board. Gov. Rod Blagojevich over the weekend appointed nine of the 15 volunteer board members, with the remaining six to be named in the next few weeks.

David Gustman, senior partner at Chicago law firm Freeborn & Peters LLP and former member of the Illinois Development Finance Authority, is chairman.

Among the other members are: Joseph Alford, former member of the Illinois Farm Development Authority and the Governor's Advisory Committee on Farms and Farm Families; Michael Goetz, executive director of the Laborers' Home Development Corp.; Edward Leonard, owner and operator of a farm near Decatur; Talat Othman, chairman and CEO of Grove Financial Inc.; Timothy Ozark, founder and principal of Aim Financial Corp.; Andrew Rice, senior vice-president of international business at Jordan Industries Inc.; Joseph Valenti, banking industry veteran; and Jill Rendleman York, president and CEO of Peoples National Bank.

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Rod R. Blagojevich
Governor

MEMORANDUM

To: IFA Board of Directors

From: Ali Ata, Executive Director

Date: January 12, 2004

Re: Mercy Hospital Rating Downgrade

On January 5, 2004, Standard & Poor's lowered it's rating on Mercy Hospital in Chicago from 'CCC' to 'D', because the hospital failed to make a principal payment to the bondholders.

Illinois Health Facility Authority had two bond issues outstanding for Mercy Hospital, $45.9million in debt sold in 1992, and $19.2million sold in 1996. Mercy expects to make the payment within the next several weeks using the proceeds from a sale of real estate.

When these bonds were issued, there was no insurance or credit enhancement, because of the financial strength of Mercy. The hospital fell below investment grade in 2000 after several years of mounting operational loses. In 2001 and 2002, Mercy had operating losses of $40 million each year. Their operating losses for 2003 are approximately $8 million. They are trying to find a merger partner, or someone to acquire them and pay off the bondholders. For now, they have managed to stop their huge operating losses, and the bondholders are probably not going to direct the Trustee to call the bonds unless they miss a principal payment.

The IFA has no financial liability to the bondholders, but it is negative publicity for the Authority. We will continue, however, to monitor the situation and will keep you informed of the status of these bonds.

Cc: Lon Monk, Chief of Staff
John Filan, OMB
Becky Carrol, OMB

The Bond Buyer
Tuesday, January 6, 2004

Chicago's Mercy Hospital Defaults, Is Dropped to D

By Yvette Shields

CHICAGO — Chicago-based **Mercy Hospital** defaulted on a portion of a roughly $4 million debt payment owed to bondholders Jan. 1, prompting **Standard & Poor's** to lower its rating on the hospital's $65 million of outstanding debt to D from CCC with a negative outlook.

Moody's Investors Service carries a B2 rating on the credit with a negative outlook. Analyst **Bruce Gordon** said that hospital administration officials just last month indicated the January payment would be made and that the rating agency is now reviewing the status of the debt service payment. **Fitch Ratings** does not rate Mercy. Standard & Poor's **Martin Arrick** said the hospital reported making the interest portion of the payment but not the principal piece.

The hospital's acting chief financial officer was not available for comment yesterday.

Mercy's debt fell below investment grade in 2000 after several years of mounting operating losses during which it failed to keep pace with industry-wide changes. Despite some operating improvements and its location in a rapidly gentrifying area just south of Chicago's downtown, the hospital continues to struggle and has been searching for a buyer for more than a year.

The default is the latest in the hospital's financial breakdown. It defaulted on its bond covenants several years ago due to negative debt-service coverage levels but negotiated a covenant-default waiver and had been able to meet its debt service payments until Jan. 1.

"I think it's a very fluid situation," Arrick said. "I think they got themselves into much too deep a hole, and with a relative weak payor mix, they've been unable to get out of it." The default affects the hospital's $45.9 million of outstanding debt sold in 1992 and $19.2 million sold in 1996 through the **Illinois Health Facilities Authority**.

Your Connection to Standard & Poor's Public Finance Health Care Ratings Team

Standard & Poor's is pleased to provide ongoing service to the investment community.

Mercy Hospital and Medical Center, IL's Rating Lowered to 'D'

Publication date: 05-Jan-2004

Analyst(s): Suzie Desai, Chicago (1) 312-233-7046; Brian T Williamson, Chicago (1) 312-233-7009

Rationale

Standard & Poor's Ratings Services lowered its rating to 'D' from 'CCC' on the Illinois Health Facilities Authority's outstanding $45.9 million series 1992 revenue bonds and $19.2 million series 1996 bonds, issued for Mercy Hospital and Medical Center (Mercy).

The rating was lowered due to a missed principal payment that was required to bondholders on Jan. 1, 2004. The trustee did, however, make the necessary interest payment to bondholders that was due on Jan. 1, 2004.

As Standard & Poor's most recent review, dated Dec. 8, 2003, indicated, the weak credit rating of 'CCC' with a negative outlook stemmed from the tenuous unrestricted cash position, missed quarterly payments to the trustee in calendar year 2003, as well as failure to replenish the debt service reserve (DSR) after the trustee drew down on the DSR to make semi-annual interest payments on July 1, 2003. At the time of the last review, management was not able to definitively state that sufficient funds were available to make the next payment. In addition, Mercy was in technical default on its loan agreements that required it to make trustee payments and replenish its debt

service reserve fund.

Complete ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation bar, select Credit Ratings Actions.

For a complete list of ratings, please click the hyperlink provided here http://www2.standardandpoors.com/NASApp/cs/ContentServer?pagename=sp/Page/FixedIncomeRatingActionsPg

End