

October 11, 2011

TO: William A. Brandt, Jr., Chairman  
Dr. William Barclay  
Gila J. Bronner  
John E. Durburg  
James J. Fuentes  
Norman M. Gold  
Edward H. Leonard, Sr.

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

RE: Message from the Executive Director

Dear Members of the Authority:

Last week, we had the opportunity to meet with our colleagues, issuers of federally tax-exempt debt in other states, at the meeting of the National Association of Health and Educational Facilities Finance Authorities ("NAHEFFA"). As we have previously discussed, federally tax-exempt financing faces a trifecta of unprecedented challenges:

***No. 1 Existential Challenge***

Efforts in Washington, D.C. to reduce the deficit may lead to the restriction or elimination of federally tax-exempt conduit financing as a viable job retention and job creation tool. The headline of a recent Bond Buyer article summarizes market participant fears regarding the fate of federally tax-exempt financing: "Debt Reduction Plan Would be Disastrous, Players Say," Lyn Hume, October 3, 2011.

***No. 2 Regulatory Challenge***

Regulatory efforts, particularly by the Securities & Exchange Commission ("SEC"), but also by the Internal Revenue Service ("IRS"), increase the likelihood that issuers such as the IFA will be required to play a larger role with respect to post-issuance compliance and disclosure. If enacted, the IFA would need to invest organizational resources to comply with such requirements. However, if done properly, such efforts could strengthen the tax-exempt capital markets and the IFA, as well as provide investors with additional knowledge and protection.

***No. 3 Economic Challenge***

Continuing economic difficulties reduce the likelihood that borrowers will have the confidence and the resources to invest in new capital infrastructure projects financed with federally tax-exempt debt. Deficit reduction efforts in Washington, D.C. are expected to negatively impact finances of not-for-profit healthcare borrowers and not-for-profit education borrowers, two sectors essential to the IFA's public mission and finances.

Nonetheless, the IFA as well as our NAHEFFA colleagues remain confident in the effectiveness and efficiency of federally tax-exempt financing as a job retention and creation tool. We also are optimistic that the successful record of this tool will prove persuasive to federal decision-makers.

To end on some positive notes, the transaction with Trinity Health Corporation (“Trinity Health”), the Michigan-based not-for-profit healthcare system that has acquired Loyola Medical Center in Maywood, will close later this month. We welcome Trinity Health to Illinois. In addition, we are also pleased that the University of Chicago has a bond issue on the agenda for consideration by the board this month.

***Conclusion***

As always, we look forward to continuing to work with you to fulfill our economic development mission.

Respectfully,

A handwritten signature in black ink, appearing to read 'C. Meister', with a long horizontal line extending to the right.

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Christopher B. Meister  
Executive Director

Attachments:

Attachment 1 – Board of Directors Dashboard

Attachment 2 – Bonds Issued Analyses; Schedule of Debt

Attachment 3 – Audit Tracking Schedule