

Illinois Finance Authority

Tuesday, May 18, 2004

2:00 p.m.

Board Meeting

Sears Tower Conference Center

233 S. Wacker, Suite 3350

Chicago, Illinois



FILE COPY

**ILLINOIS FINANCE AUTHORITY
BOARD MEETING**

May 18, 2004
Chicago, Illinois

Executive Committee
IFA Office, Sears Tower, Suite 4000 – 40th Floor
9:00 a.m.

- Opening Remarks – Chairman Gustman
- Director's Report – Ali D. Ata
 - IFA Office Space
 - Benefits Outsourcing
 - Legislation
 - Venture Capital Monitoring Report
- Project Presentations – Marketers

Board Meeting
Sears Tower Conference Center
233 S. Wacker Drive, 33rd Floor
2:00 P.M.

- Call to Order – Chairman Gustman
- Roll Call
- Chairman's Report
- A. Director's Report
 - Consent Agenda for Financing Projects
 - Other Business
- 1. April 2004 Preliminary Financial Statements
- 2. Adoption of April 2004 Minutes

Initial Project Considerations

<u>Number</u>	<u>Project</u>	<u>Location</u>	<u>Amount</u>	<u>New Jobs</u>	<u>Const Jobs</u>	<u>Mkter</u>
3.	H-NH-RE-TE-CD-414 Rest Haven Christian Services	Multiple	\$50,000,000	N/A	N/A	PL
4.	H-SL-RE-TE-CD-415 Fairview Obligated Group	Downers Grove & Rockford	\$50,000,000	N/A	N/A	PL
5.	I-ID-TX-CD-405 Illinois Biodiesel Company - Pekin, LLC	Pekin	\$21,800,000	11	100	JS
6.	I-ID-TE-CD-406 American BioScience, Inc. (American Pharmaceutical Partners, Inc. Project)	Elk Grove Vlge.	\$10,000,000	38	TBD	SCM

7.	E-PS-TE-CD-405	Harvest Bible Chapel (Harvest Christian Academy)	Elgin and Rolling Meadows	\$16,250,000	33	TBD	SCM
8.	E-PC-TE-CD-406	Robert Morris College	Various	\$14,000,000	N/A	20	SCM
9.	M-MH-TE-CD-405	Waterton Vistas II, L.L.C. and its affiliates (New Vistas II Apartments Project)	Chicago	\$8,500,000	N/A	10	RF
10.	M-MH-TE-CD-404	Architektur/80, Inc. and its Affiliates (Valley View Apartments Project)	Rockford	\$7,500,000	0	85	RF
11.	A-FB-TE-CD-417	Scott Soberg	Chrisman	\$250,000	N/A	N/A	LL
	A-FB-TE-CD-418	Jeremiah D. Fleming	Olney	\$165,150	N/A	N/A	LL
	A-FB-TE-CD-419	Eric W. Beyers and Dawn M. Beyers	Rosamond	\$100,000	N/A	N/A	LL

Final Project Considerations

<u>Number</u>	<u>Project</u>	<u>Location</u>	<u>Amount</u>	<u>New Jobs</u>	<u>Const Jobs</u>	<u>Mkter</u>	
12.	M-FR-TE-NC-401	Illinois Finance Authority First Home Illinois Single Family Mortgage Revenue Bond Program, Series 2004	Statewide	\$50,000,000	N/A	N/A	TA
13.	I-ID-TE/TX-CD-404	MacLean-Fogg Company and Subsidiaries	Various	\$7,300,000	42	0	ST
14.	N-NP-TE-CD-404	Search Developmental Center	Various	\$5,600,000	N/A	N/A	SCM
15.	N-NP-TE-CD-406	Hopedale Medical Complex	Hopedale	\$1,400,000	10	N/A	JS
16.	N-NP-TE-CD-401	Kishwaukee Family Young Men's Christian Association, Inc. (Kishwaukee Family YMCA)	Sycamore	\$1,000,000	16	50	SCM
17.	E-PC-TE-CD-404	DePaul University	Chicago	\$56,000,000	N/A	N/A	RF/ST
18.	E-PC-RE-CD-402	Columbia College Chicago	Chicago	\$10,000,000	N/A	N/A	RF/CV
19.	B-LL-TX-404	Roho, Inc.	Belleville	\$300,000	0	N/A	MC
20.	V-TD-403	zuChem, Inc.	Chicago & Peoria	\$250,000	8	N/A	CV
21.	V-TD-404	Metalforming Controls Corp.	Cary	\$100,000	N/A	N/A	CV
22.	A-DR-GT-TX-420	Wesson, Kent	Leland	\$500,000	N/A	N/A	DW
23.	A-FB-TE-CD-413	Brent Vanhoveln and Kyria Vanhoveln	El Paso	\$108,000	N/A	N/A	LL
	A-FB-TE-CD-414	William R. Clothier	Polo	\$250,000	N/A	N/A	LL
	A-FB-TE-CD-415	Matthew Blum	Polo	\$107,000	N/A	N/A	LL

Project Revisions/Amendatory Resolutions

24. A.E. Staley Manufacturing Co.

Resolution to Execute and Deliver Amendments to Trust
Indenture, Loan Agreement, and Revised Tax
Exemption Certificate

Other Business

- 25. Venture Capital Portfolio Company Summaries
- 26. Glossary of Acronyms and Terms
- 27. Market and Product Codes
- 28. Newspaper Clippings

Adjournment



**Illinois Finance Authority – Director’s Report
May 18, 2004**

To: Governor’s Office and IFA Board of Directors

From: Director Ata

I. Sales Activity:

- Sales and Marketing efforts continue to show encouraging results. We are pleased to submit for your approval 25 proposals.
- Total fees, paid at closing, to IFA for these transactions are estimated to be \$1,063,895 consisting of \$566,490 for preliminaries and \$497,405 for the finals.
- The attached project summary titled “IFA Opportunity Returns” is a list of 77 IFA projects since the inception of the IFA in January, 2004 in 6 market segments totaling \$2.2 billion.

II. Marketing:

- 1) Health Care:
 - We continue to see growth in this area, despite recent increase in interest rates.
 - We are making progress in developing an alternative financing program for small hospitals with no access to low cost capital
- 2) Education:
 - We are starting to see an increase in activity in this area.
 - IFA is working with partners to expand the School District Pooled Warrant Financing Program

3) Agricultural:

- David Wirth will be outlining IFA's vision and plans for this market at our Board Meeting

4) Industrial:

- This market segment continues to show weakness, as is the case across the country. IFA staff is working with financial partners to develop new programs to increase sales activity in this area.

III. Communications:

- New Marketing Communication program is being developed by Diane Hamburger. We have received very favorable comments on our new marketing materials.

IV. Financial:

1) Profit and Loss:

- The income statements and balance sheets for April 2004 are attached. IFA experienced a loss of \$118,415 for the period of April 2004. Lower than projected fee revenue, one-time legal fees and farm business bad debt and investment contributed to this loss.
- All bank accounts of the former IEFA and all but one of the former IHFA, are now consolidated into IFA accounts and closed. We continue to establish controls for management of restricted and non-restricted cash.
- Microsoft Great Plains Solutions accounting software is installed. We are entering general ledger information for January-April 2004. We plan to be up-to-date and generate May financial statements directly from the Great Plains software.
- The 2005 Operating Budget will be presented to the IFA Board for approval at the June Board Meeting.
- Ms. Joy Kuhn joined IFA as Senior Accountant on May 17, 2004.

2) Financial Audits:

- Audits for the period of July 1 – December 31, 2003 for predecessor authorities (IHFA, IRBB and IEFA) are nearly complete; . The IFA audit for the period January 1 – June 30, 2004 is expected to begin next month.

V. *Legislative Issues:*

1) Bond Authorization:

IFA is seeking legislation granting it \$6 billion in bond authorization, much of it in its general statute category. The amendment is being filed by Sen. Schoenberg.

2) Statutory Language Issues:

The IFA consolidation legislation inadvertently included language provisions that need to be corrected. IFA is seeking legislation amending these various provisions.

VI. *Office Leases:*

Chicago:

- We evaluated the potential for IFA to remain in the Sears Tower and toured many alternative offices in the Loop. We recommend that IFA relocate to the Prudential Building, where the landlord is offering an attractive net rental rate, rent abatement and elimination of the IHFA lease upon occupancy.

Springfield:

- The office build-out for the consolidated IFA office in Springfield is nearly complete. Occupancy is expected on or about May 20, 2004. This move will complete the Springfield consolidation from three offices to one office, the renovated office of the former IRBB.

IFA OPPORTUNITY RETURNS

INDUSTRIAL	AMOUNT	PURPOSE	NEW JOBS	CONST. JOBS	LOCATION
PROJECT TYPE					
MacLean-Fogg Company	\$7,300,000	Proceeds will be used to refinance outstanding Industrial Revenue Bonds, acquire new machinery and equipment, rehabilitate a manufacturing plant and pay costs of issuance.	42	0	Various
CFC International Inc.	2,000,000	Finance purchase of building, machinery, equipment and pay certain issuance costs.	30	N/A	Chicago Heights
Alvar, Inc.	100,000	Construction of 10,500 sq. ft. building addition.	5	20	Washburn
Republic Service Inc.	18,000,000	Finance landfill improvements, purchase equipment and current refunding.	14	15	DeSoto & Mt. Prospect
Illinois Biodiesel Company	21,800,000	Acquire land, construct a new building, purchase new equipment and pay bond issuance costs.	11	100	Pekin
Roho, Inc.	300,000	Purchase production equipment. Roho is the premier medical air-cushion manufacturer worldwide.	0	N/A	Belleville
American BioScience, Inc.	10,000,000	Bonds will be used to finance the acquisition of a building, renovations, machinery and equipment and pay certain bond issuance costs.	38	TBD	Elk Grove Village
Exelon Generation Company, LLC	20,000,000	Proceeds used to finance the financing of an entombment facility for nuclear fuel rods.	N/A	TBD	Cordova
INDUSTRIAL TOTALS:	\$79,500,000		140	135	

IFA OPPORTUNITY RETURNS

EDUCATIONAL PROJECT TYPE	AMOUNT	PURPOSE	NEW JOBS	CONST. JOBS	LOCATION
Columbia College	\$10,000,000	Proceeds will be used to refund outstanding Series 1992 A&B IFA (IEFA) revenue bonds, deposit funds into debt service reserve fund, and pay certain costs of issuance.	N/A	N/A	Chicago
Aspira, Inc., of Illinois	10,000,000	Purchase and renovate existing building, purchase furniture, fixtures and equipment, capitalize interest, and bond issuance costs.	134	12	Chicago
DePaul University	56,000,000	Acquisition financing of residential facilities.	N/A	N/A	Chicago
Alliance for Character in Education	5,650,000	Construction of new gymnasium, refinance existing debt, capitalize interest and fund professional and bond issuance costs.	5	64	DesPlaines & Niles
Pooled Warrant Program for Illinois School Districts 2004-A	18,300,000	Provide assistance to cover short-falls in working cash.			
Springfield Public SD #186 (\$15M) Nippersink SD #2 (\$2M) Massac County CUSD #1(\$1M) Grand Ridge Community Consolidated SD #95 (\$300MM)					Sangamon County McHenry County Massac County LaSalle County
Robert Morris College	14,000,000	Bond proceeds will be used to finance the expansion of several campus facilities, fund a debt service reserve, pay	N/A	20	Chicago, Orland Park, Peoria, Springfield
EDUCATION TOTALS:	\$113,950,000		139	96	

IFA OPPORTUNITY RETURNS

HEALTHCARE

PROJECT TYPE	AMOUNT	PURPOSE	NEW JOBS	CONST. JOBS	LOCATION
The Clare at Water Tower	\$225,000,000	Finance development, construction and equipping of new continuing care retirement community.	147	400	Chicago
Northwestern Memorial Hospital	550,000,000	Finance expansion and modernization of facilities. Bond proceeds to refinance existing tax-exempt bond debt issued by IHFA, and other outstanding indebtedness.	600	3,500	Chicago
Alexian Brothers Health System	80,000,000	Modernize and expand hospital facilities.	N/A	200	Elk Grove & Hoffman Estates
Riverside Health System	40,000,000	Refund all or a portion of Series 1998 and Series 2000 Bonds of Riverside and its subsidiaries/affiliates, capitalize debt service reserve fund, pay bond issuance and credit enhancement costs.	N/A	N/A	Kankakee & Bourbonnais
Edward Hospital	30,000,000	Current refunding of callable IHFA Series 1993A bonds and pay bond issuance costs.	N/A	N/A	Naperville
Covenant Retirement Communities	24,000,000	Advance refund Series 1997 bonds, capitalize debt service reserve fund, and pay certain bond issuance costs.	N/A	N/A	Carol Stream
BroMenn Healthcare	55,000,000	Refinance 1985D, 1990A, 1992 and 2002 Bonds, capital expenditures at facilities, and pay issuance costs.	N/A	N/A	Normal & Eureka
Franciscan Communities, Inc.	21,000,000	Finance construction of nursing and assisted living facility, fund debt service reserve, refinance borrower's existing tax-exempt bond obligation issued by IHFA.	N/A	100	Chicago

IFA OPPORTUNITY RETURNS

HEALTHCARE (CONTINUED)

PROJECT TYPE	AMOUNT	PURPOSE	NEW JOBS	CONST. JOBS	LOCATION
Central DuPage Health	240,000,000	Finance expansion and modernization of certain health facilities, refinance existing tax-exempt bonds previously issued by Wyndemere.	TBD	TBD	Winfield
SwedishAmerican Health System	125,000,000	Finance construction and modernization of hospital campus and routine capital expenditures of existing health facilities.	N/A	TBD	Rockford
Children's Memorial Medical Center	56,000,000	Advance refund callable Series 1999A Bonds, issuance and enhancement costs.	N/A	N/A	Chicago
Southern Illinois Healthcare Enterprises	35,000,000	Modernize and expand hospital facilities located in Carbondale, Herrin and Murphysboro.	N/A	200	Carbondale, Herrin & Murphysboro
OSF Healthcare System	100,000,000	Current Refund of Callable IFA (IHFA) Series 1993 Bonds and pay issuance costs.	N/A	N/A	Peoria County
J. Allen Potter	300,000	Construction of 9,360 sq. ft. professional building and acquisition of 1.25 acres of land.	2	N/A	East Peoria
Hopedale Medical Complex	1,400,000	Acquisition of Siemens CT Scanner.	10	N/A	Hopedale
Rest Haven Christian Services	50,000,000	Refinance existing indebtedness, enhance liquidity, capitalize a debt service reserve fund, and pay costs of issuance.	N/A	N/A	Tinley Park, Palos Heights, South Holland, Crete, Downers Grove, Homer Glen
Fairview Obligated Group	50,000,000	Advance refund approximately \$35.6M of FOG's outstanding IHFA Series 1995 bonds, and approximately \$8.3M of Fairview Residence of Rockford's outstanding IHFA Series 1999 bonds, enhance liquidity, capitalize a debt service reserve and, pay costs of issuance.	N/A	N/A	Downers Grove, Rockford
HEALTHCARE TOTALS:	\$1,682,700,000		759	4400	5/1/04

IFA OPPORTUNITY RETURNS

AGRICULTURE

PROJECT TYPE	AMOUNT	PURPOSE	NEW JOBS	CONST. JOBS	LOCATION
Ronald and Suelleen Shike	\$140,000	Beginning farmer bond loan.	N/A	N/A	Carthage
Matthew and Michelle Merritt	152,000	Beginning farmer bond loan.	N/A	N/A	Carthage
Brent and Kyria Vanhovel	108,000	Beginning farmer bond loan.	N/A	N/A	El Paso
William Clothier	250,000	Beginning farmer bond loan.	N/A	N/A	Polo
Alexander and Trisha Chung	207,900	Beginning farmer bond loan.	N/A	N/A	Peru
Robert and Julia Goddeke	150,000	Beginning farmer bond loan.	N/A	N/A	Poplar Grove
Paul and Pamela Hooks	207,500	Beginning farmer bond loan.	N/A	N/A	Mason
Mark and Keili Dozier	250,000	Beginning farmer bond loan.	N/A	N/A	Morrisonville
Larry and Susan Messer	32,000	Beginning farmer bond loan.	N/A	N/A	Goodfield
Matthew Blum	107,000	Beginning farmer bond loan.	N/A	N/A	Polo
David and Cindy Stoll	190,000	Refinancing existing machinery notes and operating carryover.	N/A	N/A	Chestnut
AquaRanch Industries & Myles Harston	285,000	Construct greenhouse, and related equipment.	N/A	N/A	Flanagan
Stewart and Beverly Haas	500,000	Refinance existing real estate notes, machinery debt and operating loan carryover.	N/A	N/A	Elizabeth
Brice and Carol Lawson	300,000	Restructure debt on guaranteed loan.	0	0	Chambersburg
Daniel K. Reed (Pearl Valley Cheese Company, Inc.)	390,000	Loan guarantee for buildings, equipment, improvements and working capital.	11	0	Kent
Ken and Windy Gerlach	171,000	Beginning farmer bond loan.	N/A	N/A	Waggoner
Scott Soberg	250,000	Beginning farmer bond loan.	N/A	N/A	Chrisman
Jeremiah D. Fleming	165,150	Beginning farmer bond loan.	N/A	N/A	Oiney

IFA OPPORTUNITY RETURNS

AGRICULTURE (continued)

PROJECT TYPE	AMOUNT	PURPOSE	NEW JOBS	CONST. JOBS	LOCATION
Eric W. and Dawn M. Beyers	100,000	Beginning farmer bond loan.	N/A	N/A	Rosamond
William E. and Peggy S. Shane	500,000	Refinance existing machinery notes and operating carryover.	N/A	N/A	Princeville
Kent Wesson	500,000	Refinance operating loan carryover and existing IFDA guaranteed loan.	N/A	N/A	Leland
AGRICULTURE TOTALS:	\$4,955,550		11	0	

IFA OPPORTUNITY RETURNS

ENVIRONMENTAL PROJECT TYPE	AMOUNT	PURPOSE	NEW JOBS	CONST. JOBS	LOCATION
Village of Romeoville	\$16,500,000	Refund callable maturities of Series 2001A and 2001B Alternate Revenue Bonds, and fund issuance costs.	N/A	N/A	Romeoville
LG Pooled Bond Program 2004-A	4,040,000				
Bourbonnais Township Park District (\$900,000)		Develop nature trails, interpretive center, access road and parking.	N/A	N/A	Bourbonnais Township
Village of Norris City (\$575,000)		Water sewer system improvements.	N/A	N/A	White County
Village of Williamsville (\$440,000)		Water sewer system improvements.	N/A	N/A	Sangamon County
City of Farmington (\$2,125,000)		Water sewer system improvements.	N/A	N/A	Fulton County
Construction Loan Interim Financing Program 2004	7,500,000	Provide funds for interim loans to certain units of local government of the State for construction and infrastructure projects.	N/A	Unknown	Statewide
SRF	130,000,000	Leverage existing IEPA program assets dedicated to IEPA's Clean Water and Drinking Water State Revolving Funds.	N/A	N/A	Statewide
ENVIRONMENTAL TOTALS:	\$158,040,000		0	0	

IFA OPPORTUNITY RETURNS

VENTURE CAPITAL

PROJECT TYPE	AMOUNT	PURPOSE	NEW JOBS	CONST. JOBS	LOCATION
Mobitrac	\$350,000	Enterprise software company with a routing and tracking product.	N/A	N/A	Chicago
Firefly	350,000	Advanced battery technology.	10	N/A	Peoria
Metaforming Controls Corp.	100,000	Continue commercialization efforts, design	TBD	TBD	Cary
zuChem	250,000	Manufactures and sells chemical products	8	N/A	Chicago & Peoria
VENTURE CAPITAL TOTALS:	\$1,050,000		18	0	

IFA OPPORTUNITY RETURNS

QUALITY OF LIFE

PROJECT TYPE	AMOUNT	PURPOSE	NEW JOBS	CONST. JOBS	LOCATION
Buena Vista Apartments	\$12,800,000	Acquisition and renovation of existing building, and purchase of equipment.	N/A	20	Elgin
Tax-Exempt Single Family Mortgage Revenue Bond Program, Series 2004	50,000,000	Provide low mortgage rates and 4% downpayment assistance to low and moderate income qualified homebuyers.	N/A	N/A	Statewide
Community Action Partnership of Lake County	7,350,000	Construct first building of proposed 3 building complex, purchase equipment, capitalize interest and portion of issuance costs.	14	146	Waukegan
Kishwaukee Family Young Men's Christian Association	1,000,000	Bond proceeds will be used to finance new construction and refinance existing mortgage.	16	50	Sycamore
Huskies Hockey Club, Inc.	13,000,000	Construction of ice arena in Romeoville.	10	150	Romeoville
Search Development Center	5,600,000	Bond proceeds will be used to refinance existing conventional debt and to pay certain bond issuance costs.	N/A	N/A	Various
Harvest Bible Chapel	\$16,250,000	Bond proceeds will be used to finance construction and renovations.	33	TBD	Elgin & Rolling Meadows
Architektur/80, Inc.	\$7,500,000	Acquisition and renovation of an existing 179 unit, 13 story senior housing property.	0	85	Rockford
Waterton Vistas II, LLC	\$8,500,000	Purchase and renovation of existing 154 unit, 4 story, 6 building low-income multifamily rental property.	N/A	10	Chicago

IFA OPPORTUNITY RETURNS

QUALITY OF LIFE (continued)

PROJECT TYPE	AMOUNT	PURPOSE	NEW JOBS	CONST. JOBS	LOCATION
First Home Illinois	\$50,000,000	Provide low mortgage rates and 4% downpayment assistance to low and moderate income homebuyers.	N/A	N/A	Statewide
Eagle Theatre Corporation	\$300,000	Acquisition, renovation and equipping 20,000 square foot building in Robinson, for use as a five-screen 600 seat movie theatre.	0	25	Robinson
QUALITY OF LIFE TOTALS:	\$172,300,000		40	366	
GRAND TOTALS:	\$2,212,495,550		1,061	4,997	

ILLINOIS FINANCE AUTHORITY
PRELIMINARY REPORTS
INCOME STATEMENT
FOR THE PERIOD ENDED APRIL 30, 2004

	APRIL 30, 2004	YEAR-TO-DATE
REVENUE		
INTEREST ON LOANS	\$ 28,117	\$ 115,282
INVESTMENT INTEREST & GAIN(LOSS)	105,511	349,028.10
ADMINISTRATIONS & APPLICATION FEES	184,668	491,855.96
ANNUAL ISSUANCE & LOAN FEES	69,874	214,905.83
OTHER INCOME	638	12,141.46
TOTAL REVENUE	388,808	1,183,213
EXPENSES		
EMPLOYEE RELATED EXPENSES		
COMPENSATION & TAXES	132,825	536,301
BENEFITS	25,876	105,985
TEMPORARY HELP	19,711	36,124
TRAVEL & AUTO	4,266	16,166
TOTAL EMPLOYEE RELATED EXPENSES	182,678	694,576
PROFESSIONAL SERVICES		
CONSULTING, LEGAL & ADMIN	110,056	234,998
LOAN EXPENSE & BANK FEE	4,097	14,713
ACCOUNTING & AUDITING	17,249	131,555
MARKETING GENERAL	12,756	14,493
MARKETING-STAFF	-	260
VENTURE CAPITAL CONFERENCE/TRAINING	1,060	2,863
MISCELLANEOUS PROFESSIONAL SERVICES	-	11,000
DATA PROCESSING	8,271	19,031
TOTAL PROFESSIONAL SERVICES	153,489	428,914
OCCUPANCY COSTS		
OFFICE RENT	23,938	115,049
SECURITY	75	150
EQUIPMENT RENTAL AND PURCHASES	2,046	9,918
TELECOMMUNICATIONS	2,875	17,853
UTILITIES	1,472	5,581
DEPRECIATION	558	2,969
TOTAL OCCUPANCY COSTS	30,965	151,520
GENERAL & ADMINISTRATION		
OFFICE SUPPLIES	7,264	13,207
BOARD BOOK-PRINTING	158	525
PRINTING	-	437
POSTAGE & FREIGHT	782	7,294
MEMBERSHIP & DUES	350	6,911
PUBLICATIONS	681	2,885
OFFICERS & DIRECTORS INSURANCE	15,937	46,742
BAD DEBT EXPENSES	105,341	328,565
MISCELLANEOUS	10,662	20,103
TOTAL GENERAL & ADMINISTRATION EXPENSES	141,174	426,668
OTHER		
INTEREST EXPENSE	826	2,477
TOTAL OTHER	826	2,477
TOTAL EXPENSES	509,131	1,704,155
NET INCOME (LOSS) BEFORE UNREALIZED GAIN/(LOSS)	(120,323)	(520,942)
NET UNREALIZED GAIN/(LOSS) ON INVESTMENT	(68,092)	(69,509)
NET INCOME/(LOSS)	(188,415)	(590,451)
TOTAL EQUITY - BEGINNING	69,302,508	69,753,683
PRIOR PERIOD ADJUSTMENT	-	(49,139)
TOTAL EQUITY-ENDING	\$ 69,114,093	\$ 69,114,092

ILLINOIS FINANCE AUTHORITY
BALANCE SHEET
PRELIMINARY REPORTS
April 30, 2004

	<u>MARCH 31, 2004</u>	<u>APRIL 30, 2004</u>
ASSETS		
CASH & INVESTMENTS, UNRESTRICTED	\$ 27,942,003	\$ 27,920,211
RECEIVABLES, NET	6,855,338	6,764,905
OTHER RECEIVABLES	1,222,146	1,240,648
PREPAID EXPENSES	178,683	163,939
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	36,198,170	36,089,702
FIXED ASSETS, NET OF ACCUMULATED DEPRECIATION	29,094	28,537
DEFERRED ISSUANCE COSTS	1,151,982	1,151,982
OTHERS ASSETS - RESTRICTED		
CASH, INVESTMENTS & RESERVES	27,479,330	27,363,522
VENTURE-CAPITAL INVESTMENTS	4,633,897	4,633,897
OTHER	3,829,328	3,862,646
	<hr/>	<hr/>
TOTAL OTHER ASSETS	35,942,555	35,860,065
	<hr/>	<hr/>
TOTAL ASSETS	\$ 73,321,801	\$ 73,130,286
LIABILITIES		
CURRENT LIABILITIES	724,106	721,012
LONG-TERM LIABILITIES	3,295,186	3,295,186
	<hr/>	<hr/>
TOTAL LIABILITIES	\$ 4,019,292	\$ 4,016,198
EQUITY		
CONTRIBUTED CAPITAL	36,058,248	36,057,690
RETAINED EARNINGS	9,629,126	9,695,411
NET INCOME/(LOSS)	66,286	(188,415)
RESERVED/RESTRICTED FUND BALANCE	11,344,112	11,344,112
UNRESERVED FUND BALANCE	12,204,737	12,205,295
	<hr/>	<hr/>
TOTAL EQUITY	\$ 69,302,508	\$ 69,114,093
	<hr/>	<hr/>
TOTAL LIABILITIES & EQUITY	\$ 73,321,801	\$ 73,130,285
	<hr/>	<hr/>

Illinois Finance Authority

Comments on April 2004 Income Statement

Revenue
Administration, Annual and Application Fees

Actual fee revenues for April were approximately 50% of the revenue forecast.

Expenses
Professional Services
Consulting, Legal and Administrative

Legal expenses associated with the IFA merger and the NTN case.

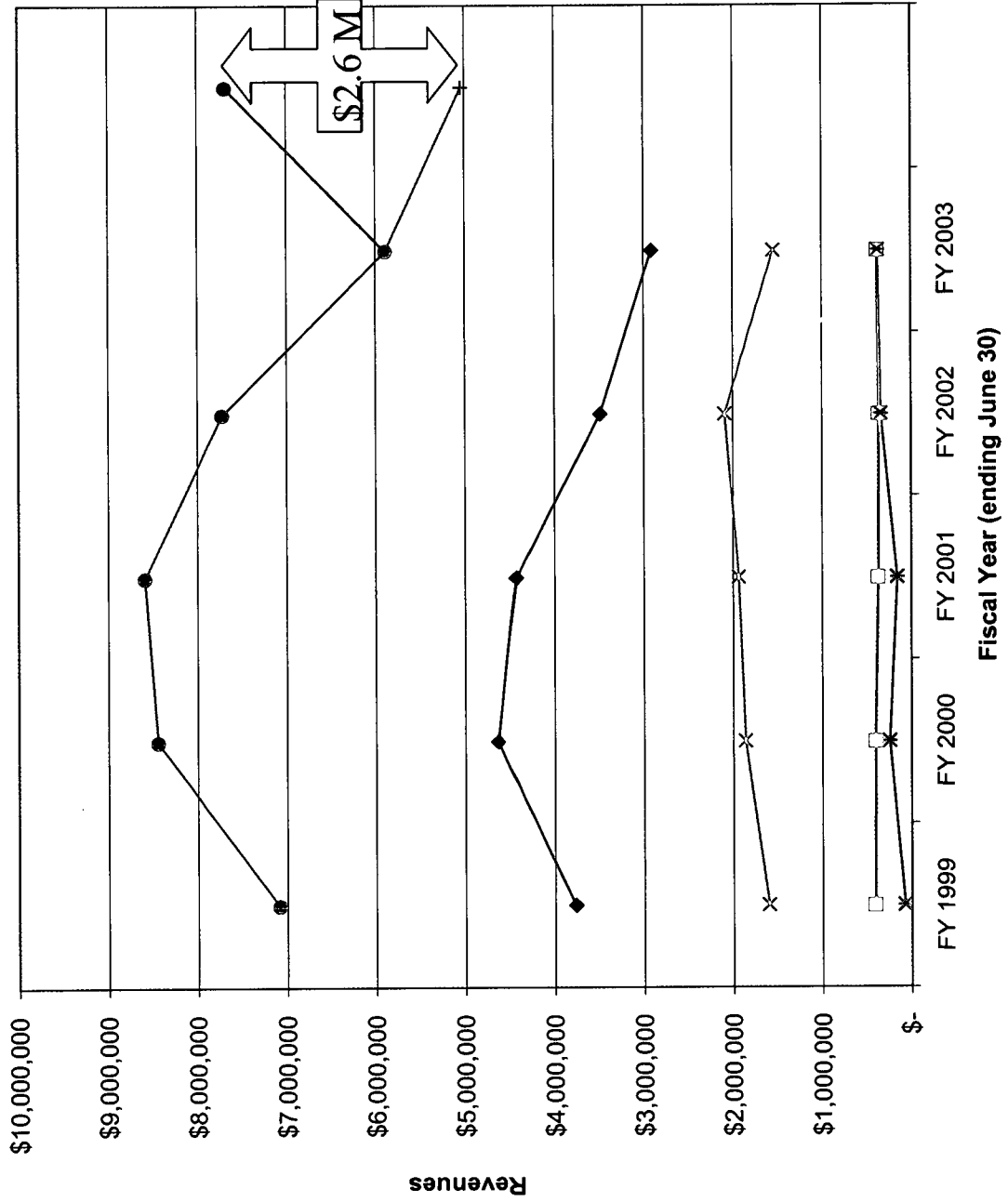
General & Administrative
Bad Debt Expense

Bad debt associated with a loan of the former Illinois Farm Development Authority.

Net Unrealized Loss on Investment

Loss on investment of the former Illinois Farm Development Authority.

Revenues by Authority

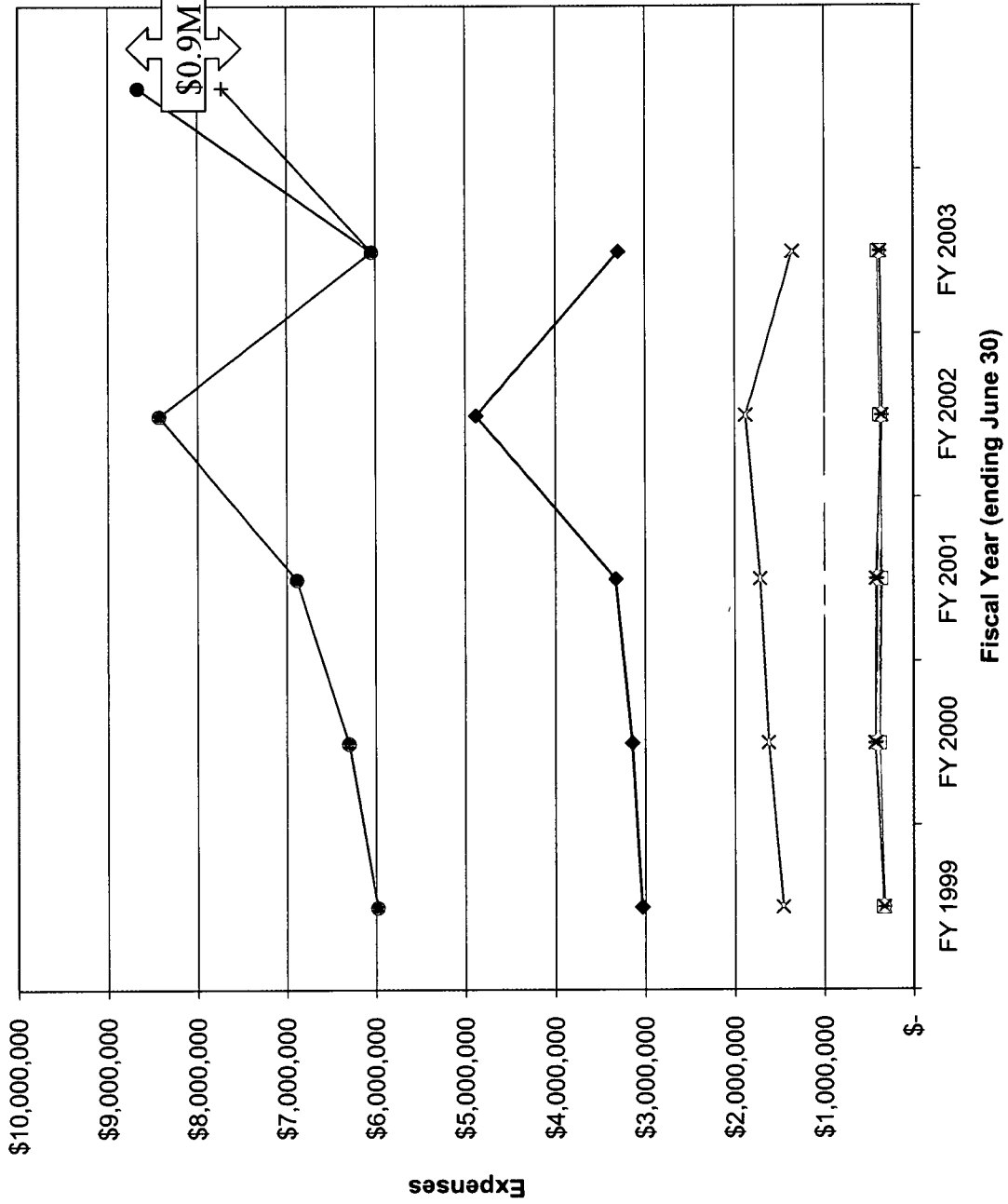


- Actual + Forecast FY2004
- Actual Through 3/31/04
- ◆ Development Finance Authority
- Educational Facilities Authority
- ◆ Farm Development Authority
- × Health Facilities Authority
- ✱ Rural Bond Bank

Revenues (six months ended 12/31/03)

IDFA	\$ 2,018,014
IEFA	88,133
IFDA	372,015
IHFA	765,581
IRRB	615,520
Total	\$ 3,859,263

Expenses by Authority

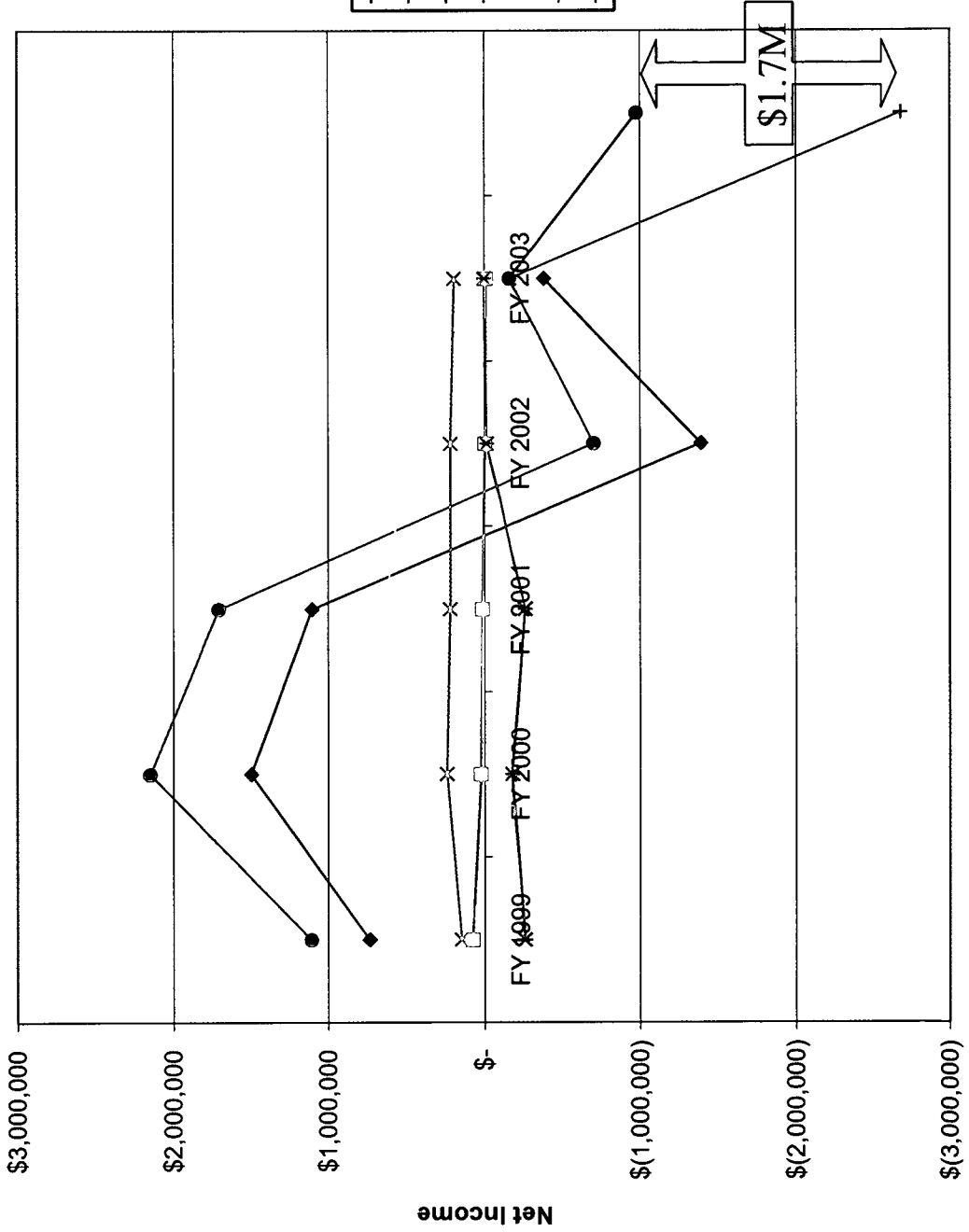


- Actual + Forecast FY2004
- + Actual through 3/31/04
- ◆ Development Finance Authority
- Educational Facilities Authority
- ◆ Farm Development Authority
- ◆ Health Facilities Authority
- ◆ Rural Bond Bank

Expenses (six months ended 12/31/03)

IDFA	\$ 2,679,418
IEFA	332,117
IFDA	561,151
IHFA	1,572,897
IRBB	<u>569,131</u>
Total	\$ 5,714,714

Net Income by Authority



- Actual + Forecast FY2004
- Actual through 3/31/04
- ◆ Development Finance Authority
- Educational Facilities Authority
- Farm Development Authority
- × Health Facilities Authority
- * Rural Bond Bank

Net Income (six months ended 12/31/03)

IDFA	\$ (661,404)
IEFA	(243,984)
IFDA	(189,136)
IHFA	(807,316)
IRBB	46,389
Total	\$ (1,855,451)

Fiscal Year (ending June 30)

**MINUTES OF THE REGULARLY SCHEDULED MEETING OF 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 regularly scheduled meeting at 2:00 P.M., on April 20, 2004 in the Sears Tower, 33rd floor, located at 233 South Wacker Drive in Chicago, Illinois.

MEMBERS PRESENT:

Joseph Alford
Natalia Delgado
Demetris Giannoulis
David Gustman
Michael Goetz
Terrence O'Brien
Talat Othman
Timothy Ozark
Andrew Rice
Martin Nesbitt

MEMBERS ABSENT:

Edward Leonard
Joseph Valenti
Jill Rendleman

GENERAL BUSINESS ITEMS

Call to Order

Chairman Gustman called the meeting to order at approximately 2:00 P.M., with the above members present.

Roll Call

Chairman Gustman asked Secretary Pisarcik to call the roll. Having ten members present, Chairman Gustman declared a quorum.

Adoption of the Amended Budget

Upon a motion by Mr. Othman and seconded by Mr. Goetz, Chairman Gustman requested a roll call vote. The motion was approved with 10 ayes, 0 nays, and 0 abstentions/present.

Item 1 – Adoption of March 31, 2004 Minutes

Upon a motion by Mr. Goetz and seconded by Mr. Othman, Chairman Gustman requested leave to record the last unanimous vote. The motion was approved with 10 ayes, 0 nays, and 0 abstentions/present (04-04-01).

Item 2 - Acceptance of February and March Financial Statements

Upon a motion by Mr. O'Brien and seconded by Mr. Othman, Chairman Gustman requested leave to record the last unanimous vote. The motion was approved with 10 ayes, 0 nays, and 0 abstentions/present. (04-04-02)

Initial Project Considerations

Item-03 **N-NP-TE-CD-405: The Clare at Water Tower**

This applicant requests preliminary approval of **\$225,000,000** in conduit 501(c)(3), Revenue Bonds to finance a project located in **Chicago, Illinois.**

Upon a motion by Mr. O'Brien and seconded by Mr. Othman, Chairman Gustman requested a leave to record the last unanimous vote. The motion was approved with 9 ayes, 0 nays, and 1 abstentions/present. (04-04-03)

Item-04 **M-MH-TE-CD-403: Buena Vista Apartments, L.P.**

This applicant requests preliminary approval of **\$12,800,000** in conduit Multifamily Rental Housing Revenue Bonds to finance a project located in **Elgin, Illinois.**

Upon a motion by Mr. O'Brien and seconded by Mr. Othman, Chairman Gustman requested roll call vote. The motion was approved with 10 ayes, 0 nays, and 0 abstentions/present. (04-04-04)

Item-05 **I-ID-TE/TX-CD-404: MacLean-Fogg Company and Subsidiaries**

This applicant requests preliminary approval of **\$12,500,000** in conduit Tax-Exempt/Taxable Industrial Revenue Bonds to finance projects located in **Mundelein, Illinois, Wheeling, Illinois, Franklin Park, Illinois, Green Oaks, Illinois, and Savanna, Illinois.**

Upon a motion by Mr. O'Brien and seconded by Mr. Othman, Chairman Gustman requested a leave to record the last unanimous vote. The motion was approved with 10 ayes, 0 nays, and 0 abstentions/present. (04-04-05)

Item-06 **E-PC-RE-CD-402: Columbia College Chicago**

This applicant requests preliminary approval of **\$10,000,000** in conduit, 501(c)(3), Revenue Bonds to finance a project located in **Chicago, Illinois.**

Upon a motion by Mr. O'Brien and seconded by Mr. Othman, Chairman Gustman requested a leave to record the last unanimous vote. The motion was approved with 10 ayes, 0 nays, and 0 abstentions/present. (04-04-06)

Item-07 **E-PS-TE-CD-403: Aspira, Inc. of Illinois (Mirta Ramirez Computer Science Charter School)**

This applicant requests preliminary approval of **\$10,000,000** in conduit 501(c)(3), Revenue Bonds to finance a project located in **Chicago, Illinois.**

Upon a motion by Mr. O'Brien and seconded by Mr. Othman, Chairman Gustman requested a leave to record the last unanimous vote. The motion was approved with 10 ayes, 0 nays, and 0 abstentions/present. (04-04-07)

Item-08 **N-NP-TE-CD-404: Search Development Center**

This applicant requests preliminary approval of **\$5,600,000** in conduit 501(c)(3), Revenue Bonds to finance projects located in **various locations across the State.**

Upon a motion by Mr. O'Brien and seconded by Mr. Othman, Chairman Gustman requested a leave to record the last unanimous vote. The motion was approved with 10 ayes, 0 nays, and 0 abstentions/present. (04-04-08)

Item-09 **A-FB-TE-CD-413: Brent & Kyria Vanhovel**
A-FB-TE-CD-414: William R. Clothier
A-FB-TE-CD-415: Matthew Blum

These applicants request preliminary approval of **\$108,000, \$250,000 and \$107,000** in Beginning Farmer Bond Loans to finance projects located in **El Paso, Illinois, Polo, Illinois, and Polo, Illinois, respectively.**

Upon a motion by Mr. O'Brien and seconded by Mr. Othman, Chairman Gustman requested a leave to record the last unanimous vote. The motion was approved with 10 ayes, 0 nays, and 0 abstentions/present. (04-04-09)

Item-13 **H-HO-TE-CD-412: Edward Hosptal**

This applicant requests preliminary approval of **\$30,000,000** in conduit 501(c)(3), Revenue Bonds to finance a project located in **Naperville, Illinois.**

Upon a motion by Mr. O'Brien and seconded by Mr. Othman, Chairman Gustman requested a leave to record the last unanimous

vote. The motion was approved with 10 ayes, 0 nays, and 0 abstentions/present. (04-04-13)

Item-18 **N-NP-TE-CD-406: Hopedale Medical Complex**

This applicant requests preliminary approval of **\$1,400,000** in a conduit Not-for-Profit lease to finance a project located in **Hopedale, Illinois**.

Upon a motion by Mr. O'Brien and seconded by Mr. Othman, Chairman Gustman requested a leave to record the last unanimous vote. The motion was approved with 10 ayes, 0 nays, and 0 abstentions/present. (04-04-18)

Final Project Considerations

Item-10 **H-HO-TE-CD-40: Northwestern Medical Hospital**

This applicant requests final approval of **\$550,000,000** in conduit 501 (c)(3), Revenue Bonds to finance a project located in **Chicago, Illinois**.

Upon a motion by Mr. Ozark and seconded by Mr. Alford, Chairman Gustman requested a leave to record the last unanimous vote. The motion was approved with 10 ayes, 0 nays, and 1 present. (04-04-10)

Item-11 **H-HO-TE-CD-402: Alexian Brothers Health System**

This applicant requests final approval of **\$80,000,000** in conduit 501(c)(3), Revenue Bonds to finance projects located in **Hoffman Estates, Illinois** and **Elk Grove Village, Illinois**.

Upon a motion by Mr. Ozark and seconded by Mr. Alford, Chairman Gustman requested a leave to record the last unanimous vote. The motion was approved with 10 ayes, 0 nays, and 1 present. (04-04-11)

Item-12 **H-HO-TE-CD-406: Riverside Health Systems**

This applicant requests final approval of **\$50,000,000** in conduit 501(c)(3), Revenue Bonds to finance projects located in **Kankakee, Illinois** and **Bourbonnais, Illinois**.

Upon a motion by Mr. Ozark and seconded by Mr. Alford, Chairman Gustman requested a leave to record the last unanimous vote. The motion was approved with 10 ayes, 0 nays, and 1 present. (04-04-12)

Item-14 **H-AL-TX-CD-413: Covenant Retirement Communities, Inc. (Windsor Park Manor)**

This applicant requests final approval of **\$24,000,000** in conduit, Taxable 501(c)(3), Revenue Bonds to finance a project located in **Carol Stream, Illinois.**

Upon a motion by Mr. Ozark and seconded by Mr. Alford, Chairman Gustman requested a leave to record the last unanimous vote. The motion was approved with 10 ayes, 0 nays, and 1 present. (04-04-14)

Item-15 **L-GP-TE-NC-403: State of Illinois Revolving Fund Revenue Bonds Series 2004 (Master Trust)**

This applicant requests final approval of **\$130,000,000** in State of Illinois Revolving Fund Revenue Bonds to finance projects located **Statewide.**

Upon a motion by Mr. Ozark and seconded by Mr. Alford, Chairman Gustman requested a leave to record the last unanimous vote. The motion was approved with 10 ayes, 0 nays, and 1 present. (04-04-15)

Item-16 **P-SW-PO-TE-CD-402: Republic Services, Inc. and its affiliates**

This applicant requests final approval of **\$18,000,000** in Solid Waste Disposal Revenue Bonds to finance projects located in **DeSoto, Illinois and Mount Prospect, Illinois.**

Upon a motion by Mr. Ozark and seconded by Mr. Alford, Chairman Gustman requested a leave to record the last unanimous vote. The motion was approved with 10 ayes, 0 nays, and 1 present. (04-04-16)

Item-17 **L-GO-TE-RE-401: Villiage of Romeoville**

This applicant requests final approval of **\$16,500,000** in Conduit Local Government Bonds for a project located in **Romeoville, Illinois.**

Upon a motion by Mr. Ozark and seconded by Mr. Alford, Chairman Gustman requested a leave to record the last unanimous vote. The motion was approved with 10 ayes, 0 nays, and 1 present. (04-04-17)

Item-19 **B-LL-TX-403: J. Allen Potter (Eyecare Focus)**

This applicant requests final approval of **\$300,000** in Participation Loans for a project located in **East Peoria, Illinois.**

Upon a motion by Mr. Ozark and seconded by Mr. Alford, Chairman Gustman requested a leave to record the last unanimous vote. The motion was approved with 10 ayes, 0 nays, and 1 present. (04-04-19)

Item 20

V-TD-401: Mobitrac, Inc.

This applicant is requesting final approval for a **\$250,000** investment from the Illinois Venture Investment Fund. This company is located in **Chicago, Illinois**.

Upon a motion by Mr. Goetz and seconded by Mr. Ozark, Chairman Gustman requested a leave to record the last unanimous vote. The motion was approved with 10 ayes, 0 nays, and 1 present. (04-04-20)

Item 21

V-TD-401: Firefly Energy, Inc.

This applicant is requesting final approval for a **\$350,000** investment from the Illinois Venture Investment Fund. This company is located in **Peoria, Illinois**.

Upon a motion by Mr. Goetz and seconded by Mr. Ozark, Chairman Gustman requested a leave to record the last unanimous vote. The motion was approved with 10 ayes, 0 nays, and 1 present. (04-04-21)

Item 22

A-AI-GT-TX-412: AquaRanch Industries, LLC and Myles Harston

This applicant is requesting final approval for **\$285,000** in Agri-Industries Guaranteed Loans to finance a project located in **Flanagan, Illinois**.

Upon a motion by Mr. Goetz and seconded by Mr. Ozark, Chairman Gustman requested a leave to record the last unanimous vote. The motion was approved with 10 ayes, 0 nays, and 1 present. (04-04-22)

Item-23

A-AD-GT-TX-411: David and Cindy Stoll

This applicant requests final approval of **\$190,000** in Agricultural Debt-Restructuring Loan Guarantees to finance a project located in **Chestnut, Illinois**.

Upon a motion by Mr. Goetz and seconded by Mr. Ozark, Chairman Gustman requested a leave to record the last unanimous vote. The motion was approved with 10 ayes, 0 nays, and 1 present. (04-04-23)

Item-24

A-DR-GT-TX-416: Haas, Stewart and Beverly

This applicant requests final approval of \$500,000 in Agricultural Debt-Restructuring Loan Guarantees to finance a project located in Elizabeth, Illinois.

Upon a motion by Mr. Goetz and seconded by Mr. Ozark, Chairman Gustman requested a leave to record the last unanimous vote. The motion was approved with 10 ayes, 0 nays, and 1 present. (04-04-24)

Item-25

A-FB-TE-CD-401: Alexander and Tricia Chung

A-FB-TE-CD-402: Robert H. & Julia A. Goeddeke

A-FB-TE-CD-403: Paul B. and Pamela S. Hooks

A-FB-TE-CD-404: Mark D. and Kelli J. Dozier

A-FB-TE-CD-406: Larry W. and Susan M. Messer

A-FB-TE-CD-407: Ronald J. and Suellen J. Shike

A-FB-TE-CD-408: Matthew and Elaine Merritt

These applicants request final approval for Beginning Farmer Bond Loans for amounts listed below:

A-FB-TE-CD-401: Alexander and Tricia Chung - \$207,900 (Peru, Illinois)

A-FB-TE-CD-402: Robert H. & Julia A. Goeddeke - \$150,000 (Poplar Grove, Illinois)

A-FB-TE-CD-403: Paul B. and Pamela S. Hooks - \$207,500 (Mason, Illinois)

A-FB-TE-CD-404: Mark D. and Kelli J. Dozier - \$250,000 (Morrisonville, Illinois)

A-FB-TE-CD-406: Larry W. and Susan M. Messer - \$32,000 (Goodfield, Illinois)

A-FB-TE-CD-407: Ronald J. and Suellen J. Shike - \$140,000 (Aledo, Illinois)

A-FB-TE-CD-408: Matthew and Elaine Merritt - \$152,000 (Carthage, Illinois)

Upon a motion by Mr. Goetz and seconded by Mr. Ozark, Chairman Gustman requested a leave to record the last unanimous vote. The motion was approved with 10 ayes, 0 nays, and 1 present. (04-04-25)

Project Revisions/Amendatory Resolutions

Item-26

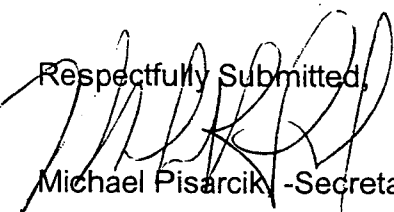
Hubbard Street Dance Chicago

This applicant requests a revision to amend various bond documents in order to make certain technical changes.

Upon a motion by Mr. O'Brien and seconded by Mr. Rice, Chairman Gustman requested a leave to record the last unanimous vote. The motion was approved with 10 ayes, 0 nays, and 1 present. (04-03-26)

There being no further business, Chairman Gustman adjourn the meeting at approximately 3:00 P.M.

Respectfully Submitted,


Michael Pisarcik -Secretary

ILLINOIS FINANCE AUTHORITY

Memorandum

To: IFA Board of Directors
From: Pam Lenane and Steve Trout
Date: May 10, 2004
Re: Overview Memo for Rest Haven Christian Services

- **Borrower/Project Name:** Rest Haven Christian Services
- **Locations:** Tinley Park, Palos Heights, South Holland, Crete, Downers Grove, and Homer Glen
- **Principal Project Contact:** Rick Schutt, President
- **Board Action Requested:** Preliminary Bond Resolution
- **Amount:** not to exceed \$50,000,000, comprised of
 - Refunding: \$33,675,000 to refinance existing debt.
 - New Money: approximately \$12,500,000 for capital expenditures to build equity.
- **Project Type:** Hospital
- **IFA Benefits:**
 - **Conduit Tax-Exempt Bonds** – no direct IFA or State funds at risk
 - **New Money Bonds:** convey tax-exempt status
 - **Refunding Bonds:** the underwriter will calculate the savings for the final resolution
- **IFA Fees:**
 - One-time, upfront closing fee will be \$100,000
- **Structure/Ratings:**
 - **Structure-** The plan of finance contemplates the issuance of fixed rate bond, secured by a letter of credit from a Bank to be determined.
 - **Ratings** – Non-rated
 - **Bank Security** – Gross revenue pledge, mortgage and master notes under a master indenture.
 - **Days cash on hand** – 70 days

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
May 18, 2004**

Project: Rest Haven Christian Services

STATISTICS

Deal Number:	H/NH/RE/TE/CD-414	Amount:	\$50,000,000 (Not to exceed amount)
Type:	Not-for-Profit Bond	PA:	Pam Lenane and Steve Trout
Locations:	Multiple	Est fee:	\$100,000

BOARD ACTION

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

PURPOSE

Proceeds will be used to: 1) refinance existing indebtedness, 2) enhance liquidity, 3) capitalize a debt service reserve fund and 4) pay costs of issuance.

VOLUME CAP

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

VOTING RECORD

This is the first time that this project has been presented to the Authority's Board of Directors.

ESTIMATED SOURCES AND USES OF FUNDS

Sources:	IFA bonds	<u>\$46,175,000</u>	Uses:	Refunding Escrow	\$30,868,289
				Project Fund	12,500,000
				Debt Service Reserve	1,780,425
				Issuance Costs	<u>1,026,286</u>
	Total	<u>\$46,175,000</u>		Total	<u>\$46,175,000</u>

In addition, approximately \$10,000,000 of taxable and tax-exempt bonds is anticipated to be issued through the Michigan Strategic Fund to refinance existing debt associated with current senior living operations in the greater Grand Rapids area.

JOBS

Current employment: 735 FTEs (entire obligated group)	Projected new jobs: N/A
Jobs retained: All	Construction jobs: N/A

BUSINESS SUMMARY

Background: Rest Haven Christian Services ("Rest Haven") was founded in 1956 as an Illinois not-for-profit corporation to furnish caring health care and retirement living facilities for the Christian Reformed seniors in south-suburban Chicagoland.

Rest Haven is led by Rich Schutt and an experienced team of senior living professionals. Mr. Schutt is the immediate past-Chair of the American Association of Homes and Services for the Aging (AAHSA).

Rest Haven has grown to be a leading senior living systems in the United States and is currently ranked as the following in the AAHSA/Ziegler 100

- #27 by total senior living units,
- #54 by total independent living units,
- #13 by total assisted living units, and
- #29 by total nursing care beds.

Providence Management is the for-profit management, development and consulting affiliate of Rest Haven. In 1991, Rest Haven Christian Services' CEO Rich Schutt founded Providence Management & Development Company to enhance the ministry of Rest Haven by providing full-service management, development and consulting services that would specifically address the needs of the sick and elderly. It is a taxable wholly-owned subsidiary of Rest Haven.

Providence Management currently manages all of the Rest Haven nursing facilities and thirteen affordable housing facilities. Providence has been responsible for the construction and development of three retirement communities, the corporate Educational Institute for Rest Haven, and is currently involved in the development of several new communities.

Rest Haven has facilities at six campuses in Illinois as well as two campuses in Michigan. The table on the following page outlines Rest Haven's current Illinois unit mix:

Existing Facility/Location**	Nursing Care	Assisted Living	Independent Living	Total
Palos Heights, Illinois Rest Haven Central	193	0	0	193
South Holland, Illinois Rest Haven Holland Home	0	55	236	291
Rest Haven South	171	0	0	171
Crete, Illinois Rest Haven Village Woods	0	47	100	147
Downers Grove, Illinois Rest Haven West Christian Nursing Center	145	0	0	145
Downers Grove, Illinois Saratoga Grove	0	21	75	96
Homer Glen, Illinois Grand Victorian	0	0	52	52
Victorian Inn	0	59	0	59
TOTALS:	509	182	463	1154

The refinancing will generate cash flow savings and create an Obligated Group structure under a new Master Trust Indenture ("MTI") thereby establishing a flexible, efficient foundation for future growth. All of Rest Haven's existing debt will be refinanced under the new MTI. Further, approximately \$12,500,000 in new debt will be issued for capital expenditures to build liquidity.

Financials: **Rest Haven Christian Services**
Audited Financial Statements for 2001 and 2002. Unaudited for 2003

	Year Ended December 31		
	2001	2002	2003
(Dollars in 000's)			
Statement of Revenues & Expenses:			
Revenue/Support	\$50,892	\$55,010	\$49,998
Operating Income	(782)	(2,081)	(587)
Change in Net Assets	(277)	(2,798)	384
Earnings Before Interest, Depreciation and Amortization	4,224	2,112	5,279
Balance sheet:			
Current Assets	\$10,955	\$10,211	\$9,183
PP&E – Net	51,814	56,085	54,495
Other Assets	<u>10,020</u>	<u>9,659</u>	<u>9,168</u>
Total Assets	<u>72,789</u>	<u>75,955</u>	<u>72,846</u>
Current Liabilities	\$7,650	13,086	7,593
Long-term Debt	36,894	36,706	36,987
Other Non-Current Liab.	3,792	4,519	4,849
Net Assets	<u>24,453</u>	<u>21,644</u>	<u>23,417</u>
Total Liabilities & Net Assets	<u>72,789</u>	<u>75,955</u>	<u>72,846</u>
Ratios			
Debt Service Coverage	4.06x	1.68x	2.05x
Days Cash	80.6	64.6	70.1
Current ratio	1.43	0.78	1.21
Debt to Net Assets	1.51	1.70	1.58

Discussion: Rest Haven has generated ample cashflows to cover operating and capital expenses despite ongoing operating losses during the period reviewed. Management narrowed operating losses in 2003 by limiting growth in personnel costs and cutting costs for marketing and bad debt. Ongoing losses have been partially offset by income from investments, contributions and sale of excess land. The organization's liquidity appears adequate and its leverage appears manageable.

FINANCING SUMMARY

Security: Direct pay letter of credit from a bank to be determined.

Bank Security: Gross revenue pledge, mortgage and master notes under a master indenture. Covenants and other legal provisions are expected to be consistent with those in use for similar financings

Structure: The Series 2004 financing will be structured primarily as Variable Rate Demand Bonds that are secured by a Letter of Credit. The underwriters anticipate the projects will be financed with approximately \$47, 175,000 in taxable and tax-exempt bonds. To the extent that credit facilities are not available, the project will be financed with unrated, unenhanced Ziegler EXTRASSM and/or fixed-rate retail bonds.

Maturity: 30 years

Interest Savings: To be determined.

ECONOMIC DISCLOSURE STATEMENT

Project name: Rest Haven Christian Services
Home Office: 18601 North Creek Drive, Suite A, Tinley Park, IL 60477
Applicant: Rest Haven Christian Services
Organization: 501(c)(3) Not-for-Profit Corporation
State: Illinois
Board of Trustees: Mr. Dave Beezhold
Mr. Al Bilthouse
Mr. Roger Boerema
Mr. Bill Brouwer

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Sosin, Lawler, & Arnold	Chicago	Tim Lawler
Accountant:	KPMG	Chicago	Jim Stark
Bond Counsel:	Jones Day	Chicago	John Bibby
Underwriter:	Ziegler Capital Markets Group	Chicago	Dan Hermann
Underwriter's Counsel:	Michael, Best & Friedrich	Chicago	John Durso
Bond Trustee:	TBD	Chicago	TBD
Issuer's Counsel:	TBD	Chicago	TBD

LEGISLATIVE DISTRICTS

Congressional: 3 - William O. Lipinski
State Senate: 19 - M. Maggie Crotty
State House: 38 - Robin Kelly

ILLINOIS FINANCE AUTHORITY

Memorandum

To: IFA Board of Directors
From: Pam Lenane and Steve Trout
Date: May 10, 2004
Re: Overview Memo for Fairview Obligated Group

- **Borrower/Project Name:** Fairview Obligated Group
- **Locations:** Downers Grove, Rockford
- **Principal Project Contact:** Steve Stewart, CFO
- **Board Action Requested:** Preliminary Bond Resolution
- **Amount:** not to exceed \$50,000,000, comprised of
Refunding: approximately \$35.6 million of Fairview Obligated Group's outstanding IFA (IHFA) Series 1995 Bonds and approximately \$8.3 million of Fairview Residence of Rockford's outstanding IFA (IHFA) Series 1999 Bonds
- **Project Type:** Continuing Care Retirement Community
- **IFA Benefits:**
 - **Conduit Tax-Exempt Bonds** – no direct IFA or State funds at risk
 - **New Money Bonds:** convey tax-exempt status
 - **Refunding Bonds:** the underwriters estimate that the refunding bonds will realize net present value savings of \$3.3 million, or 7.5% of the refunded bonds, which will result in interest savings of \$875,000 per year
- **IFA Fees:**
 - One-time, upfront closing fee will be \$100,000
- **Structure/Ratings:**
 - **Structure-** The bonds will be secured by a direct-pay letter of credit from a bank to be identified.
 - **Ratings** – Non-rated
 - **Bank Security** – Gross revenue pledge, mortgage and master notes under a master indenture.
 - **Days cash on hand** – 276 days

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
May 18, 2004**

Deal: Fairview Obligated Group

STATISTICS

Deal Number:	H-SL-NH-TE-CD-415	Amount:	\$50,000,000 (Not to exceed amount)
Type:	Not-for-Profit Bond	PA:	Pam Lenane and Steve Trout
Location:	Downers Grove, Rockford	Estimated fee:	\$100,000

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: 1) advance refund approximately \$35.6 million of Fairview Obligated Group's outstanding IHFA Series 1995 bonds and approximately \$8.3 million of Fairview Residence of Rockford's outstanding IHFA Series 1999 bonds, 2) enhance liquidity, 3) capitalize a debt service reserve and 4) pay costs of issuance.

VOLUME CAP

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

VOTING RECORD

This is the first time that this project has been presented to the Authority's Board of Directors.

ESTIMATED SOURCES AND USES OF FUNDS

Sources:	IFA bonds	\$45,710,000	Uses:	Liquidity	\$900,000
	Equity	115,426		Refunding Escrow	47,729,218
	Trustee Held Funds	<u>5,408,471</u>		Debt Service Reserve	1,360,753
				Issuance Costs	<u>1,243,926</u>
	Total	<u>\$51,233,897</u>		Total	<u>\$51,233,897</u>

JOBS

Current employment: 318 FTEs	Jobs Retained: 0	Construction jobs: N/A
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BUSINESS SUMMARY

Background: **FAIRVIEW OBLIGATED GROUP:** Fairview Ministries, Inc. (the "Corporation"), Fairview Baptist Home (the "Home"), and Fairview Village (the "Village") are the current not-for-profit members of the Fairview Obligated Group ("FOG"). Together, they are known as Fairview Village, a continuing care retirement community (the "CCRC") located in Downers Grove, Illinois, approximately twenty-five miles west of downtown Chicago. The Village consists of approximately 218 independent living apartments, 56 town/garden homes, and 232 licensed nursing beds of which 72 are sheltered and 160 skilled care.

The Home, and affiliate of the Corporation, was founded in 1902 as the Fridhem Home of Rest in the Morgan Park neighborhood of Chicago and moved to its current location in 1942. The first residents moved into the Village in 1991. Construction was completed in 1994.

FAIRVIEW RESIDENCE OF ROCKFORD OBLIGATED GROUP: The subject financing will bring Fairview Residence of Rockford ("FRR") into the Fairview Obligated Group. The Residence of Rockford is a 54,000 square-foot residential building with 73 assisted-living units, which opened in the autumn of 1999. The campus is designed to accommodate the physical, spiritual, emotional, recreational and other similar needs of aged persons in a Christian setting.

Fairview Residence of Rockford is located on a 3.2-acre campus in Rockford, Illinois, approximately 80 miles northwest of the Fairview Village campus. Fairview Residence of Rockford is the sole member of the FRR Obligated Group under a Master Trust Indenture dated September 1, 1999.

The Baptist General Conference, an international protestant denomination with 860 churches in the United States, endorses all the Corporation, The Home, the Village and FRR. Fairview Ministries, Inc. is the sole corporate member of the Home, the Village, FRR and certain other affiliate corporations that are outside the Fairview Obligated Group.

Financials: **Fairview Obligated Group & Fairview Residence of Rockford**
Audited Financial Statements 2001 - 2003

	Obligated Group			Group with FRR	
	Actual			Actual	Proforma
	2001	2002	2003	2003	2003
Statement of Operations					
Net Revenues	<u>15,831</u>	<u>17,397</u>	<u>17,098</u>	<u>18,795</u>	<u>18,795</u>
Operating Income	(382)	71	(690)	(889)	(14)
Earnings Before Interest, Depreciation & Amortization	3,820	4,468	3,256	3,940	3,940
Change in Unrestricted Net Assets	(506)	243	(822)	(912)	(37)
Balance Sheet					
Current Assets	11,015	11,874	12,735	12,966	14,741
Net Property, Plant & Equipment	45,687	44,444	43,526	49,311	49,311
Other Assets	<u>5,131</u>	<u>5,185</u>	<u>4,793</u>	<u>5,824</u>	<u>5,824</u>
Total Assets	<u>61,833</u>	<u>61,503</u>	<u>61,054</u>	<u>68,101</u>	<u>69,876</u>
Current Liabilities	2,836	2,891	3,023	3,626	3,626
Long-term Debt	35,667	34,702	34,407	42,486	43,386
Entrance Fees, Deposits & Prepayments	34,166	34,503	35,038	35,041	35,041
Net Assets	(10,836)	(10,593)	(11,414)	(13,052)	(12,177)
Total Liabilities & Net Assets	<u>61,833</u>	<u>61,503</u>	<u>61,054</u>	<u>68,101</u>	<u>69,876</u>
Ratios:					
Debt Service Coverage	1.29x	1.50x	1.33x	1.28x	1.70x
Current Ratio	3.88	4.11	4.21	3.58	4.06
Days Cash on Hand	214	218	246	225	276
Long-term Debt to Equity	(3.29)	(3.31)	(3.01)	(3.26)	(3.56)
Long-term Debt to Unrestr. Cash	23.7%	26.5%	31.2%	25.6%	29.1%

Discussion: The foregoing table summarizes the Obligated Group's actual financial results and position for fiscal years 2001, 2002 and 2003. Actual financial results and position for Fairview Residence of Rockford for fiscal year 2003 are added to the Obligated Group's totals for the year to estimate the impact of adding this organization into the Group. The "Proforma" column estimates future income and balance sheet results by adjusting the combined FY 2003 results and position to reflect the issuance of the 2004 Bonds, along with \$875,000 in anticipated interest savings each year.

The Obligated Group has generated sufficient cashflows to cover operating and capital costs by an acceptable margin in each of the years reviewed. The Group maintains ample reserves of unrestricted cash and investments to cover an unanticipated shortfall should one arise.

Both the Obligated Group and Fairview Residence of Rockford ("FRR"), require new residents to pay a substantial entrance fee to gain admission. The entrance fee is refundable in full after a new tenant occupies the unit. Applicants must deposit 10% of the entrance fee to reserve a place on the waiting list for a unit. Both the Obligated Group members and FRR record as revenue each year a portion of the entrance fee collected based on the estimated remaining life expectancy of each tenant. Applicant deposits and unamortized entrance fees are recorded as deferred revenue a liability that is detailed in the summary balance sheet presented above. These large liabilities contribute to the negative net assets carried by both the Obligated Group members and FRR. Negative net assets are not unusual for newer continuing care retirement centers because they have not operated long enough to earn the deferred revenue balance.

FRR lost \$91,000 in FY 2003 and has limited liquidity. The impact of including that organization in the Obligated Group appears limited, as it represents only 10% of the combined group's total revenues and assets. In FY 2003, Fairview Ministries contributed \$115,000 toward debt service on FRR's Series 1999 Bonds pursuant to a support agreement that it executed at closing to ensure timely payment of debt service. Fairview Ministries contributed \$280,000 and \$75,000, in fiscal years 2001 and 2002, respectively to fulfill its obligations under the support agreement. Management anticipates that improving occupancy and reducing interest costs by refinancing the Series 1999 Bonds will minimize the need for continued support from Fairview Ministries.

The expected availability of a bank letter of credit mitigates concerns over the Obligated Group's negative net assets and FRR's dependence on contributions to cover operating and capital costs.

FINANCING SUMMARY

Security: The Bonds will be secured by a Direct-Pay Letter of Credit from a bank to be identified.

Bank Security: Gross revenue pledge and master notes under a master indenture. Covenants and other legal provisions that are generally consistent with those in use for similar obligations.

Structure: Fairview Obligated Group desires to fund the Series 2004 Bonds through Tax-Exempt Fixed Rate Serial and Term Bonds, Three and Five Year Taxable EXTRASSM and Taxable Variable Rate Demand Bonds. The 7-day Taxable Variable Rate Demand Bonds credit enhanced through a bank's letter of credit are expected to be redeemed after August 15, 2006 (call date on outstanding Series 1995 Institutional Fixed Rate Bonds) with the proceeds of new bonds, Series 2006, which are expected to be issued on a tax-exempt basis. The final maturity of the new bonds is extended from August 15, 2029 to 2034.

Maturity: 30 years

Interest Savings: The underwriters estimate that the refunding bonds will realize net present value savings of \$3.3 million, or 7.5% of the refunded bonds, which will result in interest savings of \$875,000 per year.

ECONOMIC DISCLOSURE STATEMENT

Project name: Fairview Obligated Group
Location: 210 Village Drive, Downer's Grove, IL 60516-3036 and 7130 Crimson Ridge Drive,
Rockford, IL 61107-6222
Applicant: Fairview Obligated Group and Fairview Residence of Rockford Obligated Group
Organization: 501(c)(3) Not-for-Profit Corporation
State: Illinois
Board of Trustees: Forthcoming

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Katten Muchin Zavis Rosenman	Chicago	Elizabeth Weber
Accountant:	Wolf & Company	Chicago	Norbert Misiora
Bond Counsel:	Jones Day	Chicago	John Bibby
Underwriter:	Ziegler Capital Markets Group	Chicago	D. Hermann/S. Johnson
Underwriter's Counsel:	Michael Best & Friedrich	Chicago	John Durso
Bond Trustee:	Wells Fargo Corporate Trust	Chicago	Julie Pelletier
Issuer's Counsel:	To be determined		

LEGISLATIVE DISTRICTS

	Downers Grove	Rockford
Congressional:	13 – Judy Biggert	16 – Donald Manzullo
State Senate:	24 – Kirk Dillard	35 – J. Bradley Burzynski
State House:	47 – Patricia Bellock	69 – Ronald Wait

ILLINOIS FINANCE AUTHORITY

Memorandum

To: IFA Board of Directors
From : Jim Senica, Senior Program Administrator
Date: May 18, 2004
Re: Overview memo for Illinois Biodiesel Company – Pekin, LLC

- **Borrower/Project Name:** Illinois Biodiesel Company – Pekin, LLC
- **Location:** Pekin (Tazewell County)
- **Principal Project Contact:** Bruce T. Davis, President & CEO
- **Board Action Requested:** Preliminary approval of bond resolution and a \$500,000 reserve

- **Amount:** \$21,800,000 – bonds
\$500,000 – reserve

- **IFA Benefits:**
 - Conduit Taxable Industrial Revenue Bonds – no direct IFA or State funds at risk on bonds
 - New money bonds – establish long term financing
 - Strengthens credit enhancement - \$500,000 IFA funds at risk

- **IFA Fees:**
 - Application fee: \$1,500
 - One-time, upfront closing fee: \$32,700

- **Structure:**
 - Taxable industrial revenue bonds issued by IFA will be placed by Stern Brothers & Co
 - Variable rate bonds – 7-day floaters
 - Maturity not to exceed 30 years

ILLINOIS DEVELOPMENT FINANCE AUTHORITY
BOARD SUMMARY
May 18, 2004

Deal: Illinois Biodiesel Company – Pekin, LLC

STATISTICS

Deal Number:	I-ID-TX-CD-405	Amount:	\$21,800,000
Type:	Taxable IRB	PA:	Jim Senica
Location:	Pekin	Tax ID:	Applied for
SIC Code:	2869, 2911	Est fee:	\$32,700

BOARD ACTION

Preliminary Bond Resolution \$500,000 IFA funds at risk
Conduit Taxable Industrial Revenue Bonds Staff recommends approval
The Board is also being asked to consider applicant's request for a \$500,000 reserve amount discussed in a separate memorandum presented at the end of this write-up.

PURPOSE

Proceeds will be used to acquire land, construct a new building, purchase new equipment and pay bond issuance costs.

VOLUME CAP

No volume cap is required for the issuance of taxable revenue bonds.

VOTING RECORD

Preliminary Bond Resolution; no prior vote taken.

SOURCES AND USES OF FUNDS

Sources:	IDFA Bonds	\$21,800,000	Uses: Project Costs	\$29,174,185
	Renewable Energy Grant	3,000,000	Working Capital	1,000,000
	CDBG-ED Program Loan	750,000	Issuance Costs	884,366
	Bank/DCEO Part. Loan	750,000	Capitalized Interest	641,449
	Public Facilities Grant	250,000	Organizational Costs	<u>100,000</u>
	Sales Tax Exemption	188,000	Total	<u>\$31,800,000</u>
	Tazewell County RLF	150,000		
	Equity*	<u>4,912,000</u>		
	Total	<u>\$31,800,000</u>		

*Equity contributions are being obtained from individual investors primarily engaged in agriculture.

JOBS

Current employment:	N/A	Projected new jobs:	11
Jobs retained:	N/A	Construction jobs:	100 (10 months)

BUSINESS SUMMARY

Background: Illinois Biodiesel Company – Pekin, LLC (“IBC”) is an Illinois-based limited liability company being formed by Biodiesel Systems, LLC (“BDS”) to construct and operate a state-of-the-art biodiesel manufacturing plant in Pekin, Illinois (near Peoria) and market biodiesel fuel under the BDS copyrighted trade name *Homeland Diesel*. IBC will receive a license from BDS to manufacture and sell biodiesel using BDS’s proprietary plant technology. BDS is in the process of obtaining equity contributions from strategic partners/private investors who will jointly own IBC

BDS was formed in 2001 as a for-profit limited liability company to commercialize and sell proprietary methyl-ester biodiesel plants. BDS is currently organized as a majority owned subsidiary of the Woodridge Venture Group, LLC (“Woodridge”), which is a for-profit limited liability company that primarily manages an angel investment network and venture fund.

Description: Illinois Biodiesel Company – Pekin, LLC will produce 30.0 million gallons of methyl-ester biodiesel and 2.3 million gallons of pharmaceutical grade glycerin per year. The biodiesel will be marketed primarily to regional fuel distributors as a premium quality fuel that enhances engine lubricity, extends engine life, and generates fewer toxic emissions than No. 2 diesel. IBC will price its fuel so that *Homeland Diesel* could be sold at the pump at the same price point as No. 2 diesel. (The brand name, *Homeland Diesel*, was chosen to remind consumers that they are supporting the growth of the domestic renewable fuels industry). Most importantly, the fuel produced by IBC will be registered with the U.S. Environmental Protection Agency (“EPA”) as a biodiesel fuel and diesel fuel additive and will meet the guidelines published by ASTM International for biodiesel fuel. Therefore, the fuel should not void the warranties issued by diesel engine manufacturers.

The technology that IBC will utilize to produce the fuel was originally developed by the German company AGRAR – TECHNIK GmbH & Co KG (“AT”) and is secured by German, international and U.S. Patents. To date, AT has used the technology to successfully commission 15 commercial scale facilities worldwide. In February 2003, BDS entered into an agreement to acquire the exclusive rights from AT to construct plants and market biodiesel throughout North America. Based upon the agreement signed with AT, BDS has access to a suite of two patents that provide all of the technology’s intellectual property protection in the international marketplace. BDS will legally pass this protection to IBC by means of an exclusive licensing agreement. It is important to note that a key attribute of AT’s technology is the ability to alter raw material inputs, such as the use of yellow greases in place of soybean oil during times when availability is limited, providing extreme production flexibility. No other biodiesel manufacturing process currently being used in this country offers this capability. BDS maintains a strong partner relationship with AT and staff from Germany will participate in the design-build and commissioning process.

Remarks: Biodiesel production is quickly developing in the United States with capacity increases mainly due to strong support for renewable domestic energy production and public concerns about the harmful effects of diesel fuel on the environment. Illinois was chosen as an ideal location for the proposed plant due to the state's proximity to raw material supply and its substantial consumption of diesel fuel. (The state is consistently a top producer of soybeans and the number seven consumer of on-highway diesel fuel in the U.S.). IBC will have access to nine large soybean processing plants within a 150 mile radius as sources for the plant's soybean oil feedstock.

The highly desirable Pekin location offers access to Interstates I-74, I-474 and I-155 within five miles of the plant. Also, rail carriers including Canadian National, BNSF, Norfolk Southern and Union Pacific provide service to the area with these transportation linkages allowing IBC to conveniently and efficiently move raw materials and fuel to and from the plant.

Economic Impact: The construction of the IBC facility will have immediate, significant impact on the local and extended economies. The ten-month construction period will bring at least 100 construction jobs and once in production, IBC will create 11 permanent positions and further economic development along the Illinois River. IBC will call upon local Illinois farmers to supply the facility with over 21.5 million bushels of soybeans annually, procuring nearly 5% of total Illinois soybean production. John Urbanchuk, consultant to the Illinois Soybean Association, has indicated that consumption of biodiesel in Illinois alone is expected to increase from less than two million gallons in 2003 to nearly 20 million gallons by 2012, resulting in higher crop prices for Illinois farmers and higher new capital spending for construction activity.

Financials: Projected Financial Information for Illinois Biodiesel Company – Pekin, LLC 2005 - 2009

	<u>2005</u>	<u>Year Ended December 31</u>			<u>2009</u>
		<u>2006</u>	<u>2007</u>	<u>2008</u>	
	(Dollars in 000's)				
Income statement					
Sales	55,688	68,643	70,247	70,294	70,341
Net Income	15,769	6,364	7,240	7,240	7,240
Balance Sheet					
Current assets	18,192	27,303	34,289	41,174	48,032
PP&E	25,683	23,066	20,449	17,832	15,215
Other Assets	984	984	984	984	984
Total assets	<u>44,859</u>	<u>51,353</u>	<u>55,722</u>	<u>59,990</u>	<u>64,231</u>
Current liabilities	4,322	7,099	7,199	7,224	7,249
Debt	23,107	22,624	22,115	21,580	21,018
Equity	<u>17,430</u>	<u>21,630</u>	<u>26,408</u>	<u>31,186</u>	<u>35,964</u>
Total liab. & equity	<u>44,859</u>	<u>51,353</u>	<u>55,722</u>	<u>59,990</u>	<u>64,231</u>
Ratios					
Debt Service Coverage	14.05	7.32	6.42	6.40	6.38
Current Ratio	4.21	3.85	4.76	5.70	6.63
Debt/Equity	1.33	1.07	0.86	0.71	0.60

Discussion: The projections presented above were prepared by the management of Biodiesel Systems, Inc. and are based on management's current and best estimates of the expected financial position and results of operations of Illinois Biodiesel Company – Pekin, LLC.

Management has indicated the target market for the biodiesel produced by the plant as independent marketers and vertically integrated refiners in the states of Illinois, Minnesota, Indiana, Missouri, Iowa and Wisconsin. Management has identified the immediate demand for over 38.0 million gallons of *Homeland Biodiesel* and predicts this demand will grow by an additional 29.0 million gallons with the signing of the U.S. Transportation Bill, Energy bill or one of two other federal bills with similar tax incentives for biodiesel. In 2002, only two plants in Illinois produced an estimated 4.0 million gallons of biodiesel with their total capacity believed to be only 6.0 million gallons. Management projects that 30.0 million gallons will be produced by IBC annually and further blended at ranges of 2% to 100% based upon varying customer preferences in each segment.

Included in projected income amounts are \$15 million in Commodity Credit Corporation (CCC) payments. These quarterly cash payments made directly to IBC are available to manufacturers who use various types of virgin vegetable oils (such as soybean oil) as feedstock in the production of biodiesel. This program created under the Federal Bioenergy initiative as a part of the USDA 2002 Farm Bill is intended to expand industrial consumption of agricultural commodities by promoting their use in production of bioenergy. The payments are calculated each quarter based upon the total amount of commodities used in the production of biodiesel by a particular manufacturer. IBC management anticipates applying and being accepted for the program during the August 2004 sign-up period as principals of the Company have previously signed-up and been accepted for a Bioenergy agreement for a previous fiscal year (2002) while working on the development of a separate biodiesel technology.

To qualify for the program, a producer must 1) have an approved Bioenergy Agreement and a Bioenergy Agreement number assigned by the CCC's Kansas City Commodity Office, 2) increase bioenergy production in the current year as compared to the previous year using an approved commodity, such as soybean oil, and 3) submit quarterly applications certifying production and commodity used. IBC anticipates receiving \$15 million through the program until the program expires at the end of federal fiscal year 2006.

FINANCING SUMMARY

Bond: Taxable industrial revenue bond to be placed by Stern Brothers & Co.
Maturity: 30 Years
Security: Irrevocable, direct-pay letter of credit from Citizen's Equity Federal Credit Union ("CEFCU") guaranteed by U.S. Central Credit Union, which has a AAA bond rating.

PROJECT SUMMARY

Bond proceeds will be used to acquire 18.19 acres of land at 1810 Riverway Drive in the City of Pekin's 165 acre Riverway Business Park, construct a 16,000 square foot industrial building thereon and purchase new refining/processing equipment for use the applicant's production of biodiesel fuel. The building and equipment will be constructed using a modular design that is very flexible and can easily be expanded should market conditions justify increasing production capacity.

Estimated project costs are as follows:

Land	\$209,185
Site preparation & infrastructure	1,200,000
Building Construction	4,865,000
Machinery and Equipment	<u>22,900,000</u>
Total	<u>\$29,174,185</u>

ECONOMIC DISCLOSURE STATEMENT

Project name: Illinois Biodiesel Company – Pekin, LLC (IBC) Biodiesel Plant
Location: 1810 Riverway Drive, Pekin, IL 61554-9307 (Tazewell County)
Applicant: Illinois Biodiesel Company – Pekin, LLC
Organization: Limited Liability Corporation
State: Illinois
Ownership: Illinois Biodiesel Company – Pekin, LLC :
75% - Biodiesel Systems, Inc.
25% - Individual Investors (will be listed at time of final presentation to IFA Board)
Biodiesel Systems, Inc.:
80% - Woodridge Venture Group, LLC
5% - Rudi Fisher (Leonberg, Germany)
15% - 80 individual investors each holding no more than a 1% investment interest

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Hinshaw & Culbertson, LLP	Chicago	Dean Parker
Accountant:	Wipfli	Eau Claire, WI	Dennis B. Bowen
Bond Counsel:	Greenberg Traurig	Chicago	Mark McCombs
Underwriter:	Stern Brothers & Co	St. Louis, MO	John M. May
Letter of Credit:	CEFCU	East Peoria	Keith Reynolds
Issuer's Counsel	To be determined		

LEGISLATIVE DISTRICTS

Congressional: 18 – Ray La Hood
State Senate: 46 – George Shadid
State House: 91 – Mike Smith

MEMORANDUM

To: IFA Board of Directors
From: Jim Senica and Steve Trout
Date: May 18, 2004
Re: Illinois Biodiesel Company – Pekin, LLC Reserve request

Request

Illinois Biodiesel Company – Pekin, LLC requests that the IFA Board consider the concept of providing a \$500,000 reserve to assist with the financing of a facility to manufacture commercial scale biodiesel, an alternative fuel, in Pekin, Illinois.

The proposed financing involves IFA's issuance of approximately \$22 million in taxable industrial revenue bonds secured by a direct-pay letter of credit provided by Citizen's Equity Federal Credit Union ("CEFCU") guaranteed by U.S. Central Credit Union which has a AAA bond rating, approximately \$5 million in equity and approximately \$5 million in various grants and subordinated loans.

The reserve request is being made as an additional inducement to the letter of credit provider to furnish credit enhancement for issuance of the bonds.

The proposed structure of the IFA reserve being discussed would include the following:

- 1) The actual reserve may comprise the form of a deposit or a guaranty.
- 2) IFA's reserve would expire five years from the closing date of the project with a provision for an early burnoff based on Company performance.
- 3) All interest earned on the \$500,000 would be retained by IFA.
- 4) IFA's reserve would be utilized only after default by the applicant under the bonds and the letter of credit which is not cured and only after all reserves and liquidity of the applicant and its guarantors have been depleted, but before any foreclosure on the project assets.
- 4) Receipt by IFA of an upfront fee to be paid at time of project closing.

Illinois Finance Authority
Memorandum

To: IFA Board of Directors
From: Sharnell Curtis-Martin
Date: May 18, 2004
Re: Overview Memo for American BioScience, Inc.
IFA Project #: I-ID-TE-CD-406

Borrower: American BioScience, Inc.

Location(s): Elk Grove Village

Principal Project Contact: Bruce Clarke, Controller

Board Action Requested: Preliminary Bond Resolution

Amount: \$10.0 million (not-to-exceed amount)

Project Type: Industrial Revenue Bond

IFA Benefits:

- Conduit Tax-Exempt Bonds
- Estimated interest rate savings is to be determined

IFA Fees:

- Application Fee is \$1,500
- Bond Issuance Fee is \$73,150

Structure/Ratings:

- Direct Pay Letter of Credit by a bank to be determined
- Variable Rate Demand Bonds/Fixed Rate Bonds to be determined
- Maturity to be determined

Recommendation:

- Staff recommends approval

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY**

Project: **American BioScience, Inc.**
 (American Pharmaceutical Partners, Inc. Project)

STATISTICS

Deal Number:	I-ID-TE-CD-406	Amount::	\$10,000,000 (not-to-exceed amount)
Type:	Industrial Revenue Bonds	PA:	Sharnell Curtis-Martin
Location:	Elk Grove Village	Tax ID:	95-4483088
SIC Code:	2830	Est. fee:	\$73,150

BOARD ACTION

Preliminary Bond Resolution	Staff recommends approval
Conduit Industrial Revenue Bonds	No extraordinary conditions
No IFA funds at risk	

PURPOSE

Bonds will be used to finance the acquisition of a building, renovations, machinery and equipment and to pay certain bond issuance costs.

VOLUME CAP

The Applicant will be seeking approximately \$8 million in Authority Volume Cap and will receive approximately \$1.7 million of Volume Cap from Elk Grove Village.

VOTING RECORD

Preliminary Bond Resolution, no previous voting record.

SOURCES AND USES OF FUNDS

Sources:	IFA Bond	<u>\$9,690,000</u>	Uses:	Project Costs	\$9,500,000
				Bond Issuance Costs	<u>\$190,000</u>
	Total	<u>\$9,690,000</u>		Total	<u>\$9,690,000</u>

JOBS

Current employment:	7	Projected new jobs:	38
Jobs retained:	N/A	Construction jobs:	TBD

BUSINESS SUMMARY

Background: American BioScience, Inc., "ABI" was incorporated in California in June 1994. ABI's primary activities include conducting research and development, licensing and acquisition of technology. Headquartered in Santa Monica, CA, ABI has discovery and development laboratories located in Santa Monica, CA and Auburn, CA.

American Pharmaceutical Partners, Inc., "APP" is a majority owned subsidiary of ABI. APP is a specialty pharmaceutical company that develops, manufactures and markets injectable pharmaceutical products. APP's primary focus is in the oncology, anti-infective and critical care markets.

Description: The new facility located in Elk Grove Village will house new research and development as well as the manufacturing of various new FDA approved drugs for clinical trial and commercial sale.

Financials: Consolidated Audited Financial Statements 12/31/01 – 12/31/02
Consolidated Internally Prepared Financial Statements 12/31/03

	<u>Year Ended Dec 30</u>		
	2001	2002	2003
	(Dollars in 000's)		
Income statement:			
Sales	\$202,307	\$283,616	\$351,644
Net income	7,672	19,335	24,569
Balance sheet:			
Current assets	\$183,131	\$177,144	\$228,554
PP&E	55,221	64,321	78,768
Other assets	<u>6,959</u>	<u>11,638</u>	<u>13,191</u>
Total assets	<u>245,311</u>	<u>253,103</u>	<u>320,513</u>
Current liabilities	50,136	65,337	92,646
Non Current liabilities	10,905	10	8
Minority Interests	63,505	71,670	89,887
Equity	<u>120,765</u>	<u>116,086</u>	<u>137,972</u>
Total liabilities/equity	<u>\$245,311</u>	<u>\$253,103</u>	<u>\$320,513</u>
Ratios:			
Debt coverage	1.71x	5.73x	2.64x
Current ratio	3.65	2.71	2.47
Debt/equity	0.12	0.04	0.14

FINANCING SUMMARY

Security: Direct Pay Letter of Credit by a bank to be determined
Structure: To Be Determined
Maturity: To Be Determined

PROJECT SUMMARY

Bond proceeds will be used to finance the acquisition and renovation of a 90,000 square foot manufacturing facility located at 1845 Tonne Road in Elk Grove Village (Cook County), to acquire machinery and equipment and to pay certain bond issuance costs. Project costs are estimated as follows:

Building	\$5,500,000
Equipment	3,000,000
Renovations	<u>1,000,000</u>
Total Project Costs	<u>\$9,500,000</u>

ECONOMIC DISCLOSURE STATEMENT

Applicant: American BioScience, Inc.
2730 Wilshire Blvd, Suite 110, Santa Monica, CA 90403

Project name: American BioScience Illinois Facility

Location: 1845 Tonne Road, Elk Grove Village, IL 60007

Organization: Corporation

State: California

Ownership: Information forthcoming.

Land Sellers: Rob-Wal Investment Co. Inc.
Rob-Wal Investment Co. Inc. is a wholly owned subsidiary of LaSalle Bank, NA.
LaSalle Bank, NA is a wholly owned subsidiary of ABN AMRO, a publicly traded foreign entity.

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Foley & Lardner	Chicago	Beth Corey
Accountant:	To Be Determined		
Bond Counsel:	To Be Determined		
LOC Bank:	To Be Determined		
Underwriter:	To Be Determined		
Underwriter's Counsel:	To Be Determined		
Issuer's Counsel:	To Be Determined		
Trustee:	To be Determined		
Consultant:	Ernst & Young LLP	Chicago	Joe Pilewski

LEGISLATIVE DISTRICTS

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

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Illinois Finance Authority

Memorandum

To: IFA Board of Directors

From: Sharnell Curtis-Martin

Date: May 18, 2004

Re: Overview Memo for Harvest Bible Chapel / (Harvest Christian Academy)
IFA Project #: E-PS-TE-CD-405

Borrower / Project Name: Harvest Bible Chapel (Harvest Christian Academy)

Location(s): Elgin and Rolling Meadows

Principal Project Contact: Daryl Rice, Business Pastor

Board Action Requested: Preliminary Bond Resolution

Amount: \$16,250,000

Project Type: Not-For-Profit Bonds

IFA Benefits:

- Conduit Tax-Exempt Bonds
- Interest rate savings estimate is to be determined

IFA Fees:

- Application fee of \$1,000
- Issuance Fee of \$73,875

Structure/Ratings:

- Direct Pay Letter of Credit by a bank to be determined
- Variable Rate Demand Bonds
- 30 year maturity

Recommendation:

- Staff Recommends approval

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY**

**Project: Harvest Bible Chapel
(Harvest Christian Academy)**

STATISTICS

Deal Number:	E-PS-TE-CD-405	Amount: :	\$16,250,000
Type:	Not-For-Profit Bonds	PA:	Sharnell Curtis-Martin
Location:	Elgin and Rolling Meadows	Tax ID:	36-3590027
SIC Code:	6111	Est. fee:	\$73,875

BOARD ACTION

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

PURPOSE

Bond proceeds will be used to finance construction and renovations and equip academic facilities, to pay capitalized interest and to pay certain bond issuance costs.

VOLUME CAP

Volume Cap is not required for Not-For-Profit projects.

VOTING RECORD

Preliminary Bond Resolution; no previous voting record.

SOURCES AND USES OF FUNDS

Sources:	IFA Bond	<u>\$16,250,000</u>	Uses:	Project costs	\$14,384,000
				Capitalized Interest	1,266,000
				Bond Issuance Costs	<u>600,000</u>
	Total	<u>\$16,250,000</u>		Total	<u>\$16,250,000</u>

JOBS

Current employment: 7	Projected new jobs: 33.5
Jobs retained: N/A	Construction jobs: To Be Determined

BUSINESS SUMMARY

Background: Harvest Bible Chapel, "HBC" or the "Applicant", was established as a 501(c)(3) corporation in August 1988. Harvest Christian Academy "HCA" was established in June 2003 as a Pre-kindergarten through fifth grade school located in Rolling Meadows, Illinois.

Description: The proposed facility in Elgin was a gift to Harvest Bible Church and includes an 80 acre parcel of land as well as a 300,000 square foot facility. The facility was previously the corporate headquarters of Safety-Kleen and must be adapted and renovated, in order to be used as a school. The new school will be expanded through eighth grade. The HCA initiative expects to serve more than 170 students in the first year.

Financials: Audited Financial Statements 12/31/01 – 12/31/02
Internally Prepared Financial Statements 12/31/03

	<u>Year Ended Dec 31</u>		
	2001	2002	2003
	(Dollars in 000's)		
Statement of Revenues and Expenses:			
Total Support and Revenue	\$7,122	\$8,676	\$55,488
Change in net Assets:	437	1,173	45,784
Balance sheet:			
Current assets	\$852	\$1,661	\$19,712
PP&E	<u>9,887</u>	<u>9,952</u>	<u>39,058</u>
Total assets	<u>10,739</u>	<u>11,613</u>	<u>58,835</u>
Current liabilities	611	491	858
Non Current liabilities	3,092	2,913	3,919
Net Assets	<u>7,036</u>	<u>8,209</u>	<u>54,058</u>
Total liabilities/Net Assets	<u>\$10,739</u>	<u>\$11,613</u>	<u>\$58,835</u>
Ratios:			
Debt coverage	1.21x	3.76x	94.78x
Current ratio	1.40	3.38	22.97
Debt/equity	0.53	0.39	0.08

Discussion: In 2003, HBC received donated land and building valued at approximately \$24.7 million and received pledges of approximately \$19 million for the new Harvest Christian Academies. To date, approximately \$2.5 million in pledges have been collected on this three year campaign. Harvest Bible Chapel also has an available \$2 million line of credit with Harris Bank.

FINANCING SUMMARY

Security:	Bonds will be secured by a Direct Pay Letter of Credit from a bank to be determined.
Structure:	Variable Rate Demand Bonds
Maturity:	30 years

PROJECT SUMMARY

Bond proceeds will be used to finance the construction and rehabilitation of buildings located at 800 Rohlwing Road in Rolling Meadows, Illinois (Cook County) and 1000 North Randall Road in Elgin, Illinois (Kane County), to acquire machinery and equipment for use therein, to pay related architectural and engineering fees, to pay capitalized interest, and to pay certain bond issuance costs. Project costs are estimated as follows:

Construction	\$6,360,000
Rehabilitation	5,350,000
Machinery and Equipment	1,250,000
Contingency	1,000,000
Architecture and Engineering	<u>424,000</u>
 Total Project Costs	 <u>\$14,384,000</u>

ECONOMIC DISCLOSURE STATEMENT

Applicant: Harvest Bible Chapel
Project name: Harvest Christian Academy
Project location: 800 Rohlwing Road, Rolling Meadows, IL (Cook County) 60008
1000 North Randall Road, Elgin, IL (Kane County) 60123
Organization: 501(c)(3) Corporation
State: Illinois
Board of Directors: James MacDonald Dr. Ronald A. Allchin, Sr.
Bill Ciofani Dave Corning
Joe Stowell, IV Kent C. Shaw
Doug Olsen Gordon D. Zwirkoski
Land Sellers: Not Applicable

PROFESSIONAL & FINANCIAL

Borrower's Counsel: To Be Determined
Bond Counsel: Peck, Shaffer & Williams, LLP Chicago George D. Buzard
LOC Bank: To Be Determined
Underwriter: B. C. Zeigler & Co. New Albany, OH Rich Harmon
Underwriter's Counsel: To Be Determined
Issuer's Counsel: To Be Determined
Trustee: To Be Determined

LEGISLATIVE DISTRICTS

Elgin	Rolling Meadows
Congressional: 14 -- J. Dennis Hastert	Congressional: 8 -- Phillip M. Crane
State Senate: 25 -- Chris Lauzen	State Senate: 27 -- Wendell E. Jones
State House: 49 -- Timothy L. Schmitz	State House: 54 -- Suzanne Bassi

Illinois Finance Authority
Memorandum

To: IFA Board of Directors
From: Sharnell Curtis-Martin
Date: May 18, 2004
Re: Overview Memo for Robert Morris College
IFA Project # E-PC-TE-CD-406

Borrower: Robert Morris College

Location(s): Chicago, Bensenville, Orland Park, Peoria and Springfield

Principal Project Contact: Mr. Ronald Arnold, Vice President for Business Affairs

Board Action Requested: Preliminary Bond Resolution to finance expansions at various campus locations

Amount: \$14,000,000 (not-to-exceed amount)

Project Type: Not-For-Profit Bonds

IFA Benefits:

- Conduit Tax-Exempt Bonds
- Interest rate savings estimate is to be determined

IFA Fees:

- Application Fee of \$1,000
- Issuance Fee of \$65,000

Structure/Ratings:

- Direct Pay Letter of Credit from Bank One
- Variable Rate Demand Bonds/Fixed Rate Bonds (To Be Determined)
- 20 year maturity
- Rating Agency (To Be Determined)

Recommendation:

- Staff recommends approval

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY**

Project: Robert Morris College

STATISTICS

Deal Number:	E-PC-TE-CD-406	Amount:	\$14,000,000 (Not-to-exceed amount)
Type:	Not-For-Profit Bond	PA:	Sharnell Curtis-Martin
Location:	Various	Tax ID:	37-0864020
SIC Code:	8211	Est. fee:	\$65,000

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 finance the expansion of campus facilities in Bensenville, Chicago, Orland Park, Peoria and Springfield to fund a debt service reserve, to pay capitalized interest and to pay certain bond issuance costs.

VOLUME CAP

Volume Cap is not required for Not-For-Profit projects.

VOTING RECORD

Preliminary Bond Resolution, no previous voting record.

SOURCES AND USES OF FUNDS

Sources: IFA Bond	<u>\$12,900,000</u>	Uses: Project Costs	\$12,200,000
		Capitalized Interest	475,000
		Bond Issuance Costs	<u>225,000</u>
Total	<u>\$12,900,000</u>	Total	<u>\$12,900,000</u>

JOBS

Current employment: 37	Projected new jobs: N/A
Jobs retained: N/A	Construction jobs: 20 (15 months)

BUSINESS SUMMARY

Background: Robert Morris College, "RMC" or the "Applicant", is a private, coeducational undergraduate institution founded in 1913. The Applicant is a 501(c)(3) not-for-profit corporation with its main location at 401 South State Street in downtown Chicago, Illinois. Other campus locations include Aurora, O'Hare, Orland Park, Peoria, and Springfield, Waukegan and Joliet.

Description: The Applicant offers programs in five major areas: business, allied health, computer studies, culinary arts and graphic arts. Students in these programs can obtain a professional diploma, associate degree or baccalaureate degrees.

The Chicago Campus will have expanded Administration Offices, Student Center, Library, Culinary Wing, Surgical Tech Labs, Student Services, Art Gallery, and Food Services. Other locations will have classroom expansion, new library facilities, new book store and Student Center expansion.

Financials: Audited Financial Statements 6/30/01 – 6/30/03

	<u>Year Ended June 30</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
	(Dollars in 000's)		
Statement of Activities			
Total Operating Revenues	\$65,723	\$72,669	\$74,271
Change in Net assets	7,978	2,055	4,274
Balance sheet:			
Current assets	\$64,515	\$56,233	\$58,682
PP&E	<u>36,871</u>	<u>46,280</u>	<u>51,601</u>
Total assets	<u>101,386</u>	<u>102,513</u>	<u>110,283</u>
Current liabilities	4,604	4,681	9,236
Non Current liabilities	26,351	25,346	24,287
Net Assets	<u>70,431</u>	<u>72,486</u>	<u>76,760</u>
Total liabilities/Net Assets	\$101,386	\$102,513	\$110,283
Ratios:			
Debt coverage	6.70x	4.14x	4.56x
Current ratio	14.01	12.01	6.35
Debt/net assets	0.39	0.36	0.33

Discussion: In 2002, RMC opened two new campus facilities in Peoria and Waukegan. As a result of the new facilities operating at less than full capacity, RMC's change in net assets were affected.

FINANCING SUMMARY

Security: The Bonds will be secured by a Direct Pay Letter of Credit by a bank to be determined
Structure: Variable Rate Demand Bonds
Maturity: 20-year maturity

PROJECT SUMMARY

Bond proceeds will be used to finance the expansion of campus facilities located at:

401 S. State Street, Chicago, Illinois, 60605 (Cook County)
1000 Tower Lane, Bensenville, Illinois, 60106 (DuPage County)
43 Orland Square and 82 Orland Square, Orland Park, Illinois 60462 (Cook County)
211 Fulton Street, Peoria, Illinois 61602 (Peoria County)
3101 Montvale Drive Springfield, IL 62704 (Sangamon County)

Additionally bond proceeds will be used establish a debt service reserve, to pay capitalized interest and to pay certain bond issuance costs. Project costs are estimated as follows:

Construction/Renovations	\$11,000,000
Debt Service Reserve	1,100,000
Contingency	<u>100,000</u>
Total Project Costs	<u>\$12,200,000</u>

ECONOMIC DISCLOSURE STATEMENT

Applicant: Robert Morris College
401 South State Street, Suite 410, Chicago, IL 60605

Project name: Robert Morris College Campus Expansion

Location: Various

Organization: 501(c)(3) Corporation

State: Illinois

Board of Trustees: Donald J. Andorfer
Nick J. Mavros
Thomas H. Donahoe
Marcia Burke
Jack Gonder
Michael P. Violtt

Randall B. Becker
Roland I. Finkelman
Gladys Jossell
Claudia Freed
Richard Orzechowski
Joseph D. Wright

Land Sellers: Not Applicable

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	McDermott, Will & Emery	Chicago	
Accountant:	McClintock & Associates	Bridgeville, PA	Bruce McClintock
Bond Counsel:	Chapman and Cutler	Chicago	
LOC Bank:	Bank One	Chicago	
Underwriter:	Bank One Capital Markets	Chicago	Shelly Phillips
Underwriter's Counsel:	To Be Determined		
Issuer's Counsel:	To Be Determined		
Trustee:	To Be Determined		
Financial Advisor:	Cassidy & Pinkard	Washington, DC	Michael W. Scott

LEGISLATIVE DISTRICTS

Chicago

Congressional: 7 -- Danny Davis
State Senate: 3 -- Mattie Hunter
State House: 5 -- Kenneth Dunkin

Bensenville

Congressional: 6 -- Henry Hyde
State Senate: 23 -- Ray Soden
State House: 46 -- Lee A. Daniels

Orland Park:

Congressional: 13 -- Judy Biggert
State Senate: 19 -- Maggie Crotley
State House: 37 -- Kevin A. McCarthy

Peoria

Congressional: 18 -- Ray LaHood
State Senate: 46 -- George P. Shadid
State House: 92 -- Ricca Slone

Springfield

Congressional: 18 -- Ray LaHood
State Senate: 50 -- Lary K. Bomke
State House: 100 -- Rich Brauer

ILLINOIS FINANCE AUTHORITY

MEMORANDUM

To: IFA Board of Directors

From: Rich Frampton

Date: May 18, 2004

Re: Overview Memo for Waterton Vistas II, L.L.C. and its affiliates
(New Vistas II Apartments Project)
M-MH-TE-CD-405

- **Borrower/Project Name:** Waterton Vistas II, L.L.C. and its affiliates (New Vistas II Apartments Project)
- **Location:** Chicago (Cook Co.)
- **Principal Project Contact:** Mr. Jim Schwartz, Waterton Associates LLC,
- **Board Action Requested:** Preliminary Bond Resolution
- **Amount:** not to exceed \$8.5 million
 - Uses:
 - Acquisition of existing 154-unit, 4-story, 6-building low-income multifamily rental properties in SE Chicago
 - Substantial renovations of properties (\$1.15 million; Exterior: tuckpointing, storm doors, balcony repairs, painting; HVAC: boiler replacement, replacement of in-unit radiator valves/thermostats; Common Areas: pavement/parking lot repairs; landscaping; laundry rooms), appliance replacement, upgrades to common areas)
- **Project Type: Multifamily Housing Revenue Bonds**
- **IFA Benefits:**
 - **Conduit Tax-Exempt Bonds** – no direct IFA or State funds at risk
 - **New Money Bonds:**
 - convey tax-exempt status
 - will use dedicated \$8.5 million of 2003 Carryforward Volume Cap acquired by Developer/Financing Team for Project from Home Rule Units

- **IFA Fees:**
 - One-time, upfront closing fee estimated at \$52,700 (reflects use of transferred Volume Cap purchased by Developer/Financing Team)
- **Structure/Ratings:**
 - Bonds to be sold directly based on FNMA/GNMA credit enhancement (GMAC Commercial Mortgage Corp. is a GNMA DUS Lender)
 - **Ratings** – based on Aaa/AAA/AAA rated FNMA/GNMA credit enhancement (Moody's/S&P/Fitch)
 - **Current and estimated rates:** Bonds will be sold as 7-day floaters (current estimated effective interest rate of 2.40% as of 5/4/04)
 - GMAC is requiring Borrower to purchase an interest rate lock for an initial minimum term of five years. Borrower will be required to escrow on a monthly basis approximately 1/60th of the cost to replace this Rate Cap upon expiration (subject to adjustments).
- **Recommendations/Conditions:**
 - Staff recommends approval – because transaction is an investment grade conduit bond issue, no extraordinary conditions will be required.

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY**

**Project: Waterton Vistas II, L.L.C. and its affiliates
(New Vistas II Apartments Project)**

STATISTICS

IFA Project #:	M-MH-TE-CD-405	Amount:	\$8,500,000 (not-to-exceed amount)
Type:	Housing Bond	IFA Staff:	Rich Frampton
Location:	Chicago	Tax ID:	Applied for
SIC Code:	6513	Est. fee:	\$56,288 (based on \$7.505 million issuance)

BOARD ACTION

Preliminary Bond Resolution
Staff recommends approval
Conduit Multi-Family Housing Revenue Bonds
No extraordinary conditions

PURPOSE

Purchase and renovation of an existing 154-unit, 4-story, 6-building low-income multifamily rental property.
Project will preserve a 100% affordable apartment property.

VOLUME CAP

The Developer and Financing Team will use approximately \$8.45 million of 2002-2003 IFA Carryforward Volume Cap that they acquired from various Home Rule municipalities for this project.

VOTING RECORD

None. This is the first time this project has been presented to the IFA Board of Directors.

ESTIMATED SOURCES AND USES OF FUNDS

Sources:	Tax-Exempt Bonds	\$ 8,450,000	Uses:	Project costs	\$ 9,470,000
	LIH Tax Credits	\$ 3,445,874		Interest Rate Lock	\$ 66,000
				Purchase of Vol. Cap	\$ 84,500
	*Deferred Devel. Fee	<u>\$ 327,000</u>		Tax Credit Costs	\$ 150,000
				Oper. Deficit Reserve	\$ 291,298
				Restabilizing Reserve	\$ 300,000
				Other Reserves	\$ 125,000
				Issuance/Fin. Costs	\$ 361,000
				Development Fee	<u>\$ 1,375,076</u>
Total		\$ 12,222,874	Total		\$ 12,222,874

*Note: The Deferred Developer's Fee is to be paid out of cash flows and tax credit investor funds (available after mortgage payments and required reserves) subject to satisfying terms of GMAC/FNMA's financial performance covenants and the Partnership Agreement with Paramount Financial Group (the proposed Tax Credit Syndicator). Many of these upfront Developer costs will be recovered upon closing of the proposed bond/equity financing, as permitted according to applicable federal statutes. Payment of the Deferred Developer's Fee must also conform to pertinent federal statutes for Low Income Housing Tax Credits (i.e., Section 42 of the Internal Revenue Code).

JOBS

Current employment:	6	Projected new jobs:	N/A
Jobs retained:	N/A	Construction jobs (12 mo's.):	10

BUSINESS SUMMARY

Background: Waterton Vistas II, L.L.C. (the "Initial Applicant") is a Delaware Limited Liability Company formed in 2003 for the express purpose of purchasing and rehabilitating New Vistas II Apartments, a 154-unit low/moderate income multifamily rental property located at 6909 S. Crandon Avenue in Chicago (Cook County), Illinois. Waterton Vistas II, L.L.C. is an affiliate of Waterton Associates LLC, a Chicago-based firm engaged in the acquisition, rehabilitation, and management of multifamily apartments, with an emphasis on affordable housing.

Ultimately, an affiliate of the Initial Applicant will serve as General Partner of a to-be-formed Illinois Limited Partnership to own the subject property prior to closing of the proposed bond issue. The Limited Partner will be Paramount Financial Group ("Paramount") of Granville, OH. Paramount will syndicate 4% Low Income Housing Tax Credits to corporations, thereby generating equity for this financing. Paramount is a division of GMAC Commercial Mortgage Corp.

Description: New Vistas II Apartments were originally constructed and financed in the 1920's and were most recently rehabilitated in the 1970's. The property consists of six separate buildings located within 1-½ blocks near the intersection of Crandon Ave. and 69th St. in Chicago's South Shore neighborhood.

100% of the apartments at the property are affordable. The entire property is covered by a HUD Housing Assistance Payment ("HAP") Contract that runs until 2017. Given the proposed IFA bond financing with 4% Low Income Housing Tax Credits, covenants to the property will assure that the property remains low income for 30 years (i.e., through 2034). Accordingly, this financing will preserve this property as low income for an additional 17 years beyond expiration of the HAP Contract.

Remarks: Waterton Associates was formed in 1995 by David R. Schwartz and Peter M. Vilim. Waterton employs more than 400 people company-wide including its Chicago headquarters, regional property management offices, and its 36 apartment communities located in 13 cities in eight states.

Since its founding in 1995, Waterton Associates has purchased more than \$1.3 billion of real estate and currently owns and manages more than 30 multifamily properties with approximately 15,000 apartment units.

Since 1997, Waterton Associates has financed the acquisition and renovation of five properties with tax-exempt bonds and has acquired three properties that had tax-exempt bonds in place at the time of purchase. Waterton Associates will also serve as General Contractor for the proposed renovations, subject to approval by FNMA/GMAC Commercial Mortgage Corp., the project lender.

Another Waterton Associates affiliate, Waterton Property Management (the proposed property manager for the subject property), currently oversees compliance with tax-exempt bond and Low Income Housing Tax Credit income/rental compliance requirements at nine (9) properties in three states.

There will be no tenant relocation during the renovation period.

Financials: Historical Results Prepared by Applicant based on Audited Results: 12/31/01-12/31/02
 Projected Project Income/Expense Statements 2004-2006. (\$ in Thousands)

	<u>Annualized from</u> <u>11 mo. results</u>					
	<u>12/31/01</u>	<u>12/31/02</u>	<u>12/31/03</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Income:						
Gross Rental Income	\$1,547	\$ 1,547	\$1,547	\$1,547	\$1,593	\$1,641
Vacancy/Coll. Loss	(12)	(6)	(22)	(31)	(32)	(33)
Other Income (Net):	<u>36</u>	<u>42</u>	<u>32</u>	<u>31</u>	<u>33</u>	<u>34</u>
Project Income:	1,571	1,582	1,557	1,546	1,594	1,642
Operating Expenses:						
Payroll	236	238	209	237	244	251
General Administrative	19	19	31	30	31	32
Operating & Maintenance	82	77	71	68	70	72
Utilities	259	195	212	221	228	235
R/E Taxes	118	149	142	131	130	136
Insurance	25	40	47	36	37	38
Mgmt. Fees	124	110	124	62	64	66
Replacement Reserve	--	--	--	39	39	39
Other Exp.	--	--	--	--	--	--
Total Oper. Expenses & Repl. Reserve:	<u>862</u>	<u>828</u>	<u>837</u>	<u>824</u>	<u>843</u>	<u>869</u>
Net Operating Cash Flow before						
Debt Service (excl. Depr./Amort.):	<u>709</u>	<u>755</u>	<u>720</u>	<u>722</u>	<u>751</u>	<u>773</u>
Projected Annual Debt Service Payments IFA	<u>521</u>	<u>521</u>	<u>521</u>	<u>521</u>	<u>521</u>	<u>521</u>
Series 2004 Bonds:						
Pro Forma Debt Svc. Coverage (x)	1.36x	1.45x	1.38x	1.39x	1.44x	1.48x

Discussion: The projections assume:

- (1) Acquisition closes 7/2005;
- (2) Structural rehabilitations will be 100% complete as of 7/1/05 (12 months);
- (3) There will be no tenant displacement during renovation period.
- (4) 2% vacancy and collection loss rate assumed -- based on operating history.
- (5) All gross rental income reported above reflects stabilized occupancy.
- (6) Bond principal and interest payments begin 9/2004.
- (7) Debt service payments assume fixed interest rate of approximately 6.30% for projections and 30-year amortization.
- (8) Projected rent escalation of approximately 3% in both 2005 and 2006.

Based on these assumptions, New Vistas II has generated historical debt service coverage (based on the proposed payments on the IFA Series 2004 Bonds) to cover proposed bond payment by multiples of 1.36 times or better over the last three years.

Additionally, projections indicate coverage of 1.44 times or better beginning in 2005, the first full year following acquisition of the property.

These results, as prepared by the Applicant, suggest cash flows well in excess of FNMA/GMAC's 1.20 times minimum debt service coverage covenant.

Market Facts:

The combined unit mix for the six buildings is as follows:

<i># Units</i>	<i>Unit Type</i>	<i>Ave. SF</i>	<i>Rents (include utilities)</i>
6	Studio/1BA	560	\$747
12	1BR/1BA	994	\$810
47	2BR/1BA	1322	\$900
89	3BR/1.5 BA	1424	\$1,009
154	Total Units		

There are 25 off-street parking places at the property (Comment: buildings were constructed in the 1920's).

The Applicant has provided a competitive rent analysis of five nearby properties located within 0.5 miles of the subject project. Compared to these competitive properties, New Vistas II offers more square footage for each unit type.

On a rent/sq. ft. basis, the rents at New Vistas will be lower than any of its comparable properties (also reflective of the project-based Section 8 contract). Because of the large unit size and affordable rents, New Vistas II currently has a waiting list of approximately 100 for its 154 rental units. This waiting list is a strong indicator for existing market demand.

GMAC/FNMA will require a market study as a precondition to closing. Key market facts (e.g., submarket vacancy rates) will be extracted from the market study/appraisal report for presentation to the IFA Board at the time of the Final Bond Resolution.

Subsidies:

This financing will include syndication proceeds generated by the sale of 4% Low Income Housing Tax Credits. The credit rate on the project is currently \$0.81 per credit and is estimated to generate approximately \$2,709,500 in proceeds. Upon completion of the proposed renovations, a minimum of 40% of the units will be set aside to households earning no more than 60% of area median income.

As noted previously, pursuant to this acquisition, the purchaser will assume HUD's HAP project contract that runs through 2034. Because of the use of Tax Credits for 100% of the units, rents at this property will be 100% rent-restricted pursuant to IRS regulations for a minimum of 15 years.

Accessibility:

According to the Applicant, this project is exempt from Americans with Disabilities Act ("ADA") requirements regarding minimum unit set-asides and related accessibility and adaptability requirements due to the age of the property (i.e., originally constructed in the 1920's).

FINANCING SUMMARY

Security: Credit Enhancement (Guaranty) from FNMA
Structure: 7-Day Variable Rate Demand Bonds (with a minimum 5-year interest rate to be purchased as a precondition to the GMAC/FNMA credit enhancement commitment)
Maturity: 30 Years (with 30 year amortization)
Subordinated
Debt: None

PROJECT SUMMARY

Bond proceeds will be used to finance the acquisition and renovation of six buildings, collectively known as New Vistas II apartments located at (1) 6852-58 S. Paxton and 2148-50 E. 69th St.; (2) 6840-58 S. Crandon and 2220-36 E. 69th St.; (3) 7001-09 S. Crandon and 2305-11 E. 70th St., (4) 6951-57 S. Crandon and 2308-14 E. 70th St., (5) 7006-08 S. Crandon and 2235-37 E. 70th St. and (6) 7015-25 S. Crandon and 2300-10 E. 70th St. in Chicago (Cook County), Illinois 60649.

Additionally, bond proceeds will be used to pay costs of issuance, capitalized interest, and development-related soft costs.

Estimated project costs are as follows:

Land Acquisition:	\$832,500
Building Acquisition:	7,492,500
*Renovations:	1,145,595
<u>Contingency/Other (10%)</u>	<u>1,711,500</u>
Total:	<u>\$11,895,874</u>

Renovations will include (1) exterior improvements - \$777,500 (tuckpointing, storm doors, balcony replacement, roof replacement, paint), (2) commons areas - \$41,000 (parking lot/pavement, landscaping, and laundry room improvements), and mechanical improvements - \$193,000 (boiler replacement in three buildings, unit radiator valve replacement, and electrical upgrades)

ECONOMIC DISCLOSURE STATEMENT

Applicant: Waterton Vistas II, L.L.C. and its affiliates (c/o , Jim Schwartz, Waterton Associates, One North Franklin, Suite 1150, Chicago, IL 60606; Ph.: 312/948-4558; Fax: 312/948-4559; e-mail: jschwartz@wallc.com)
Project name: New Vistas II Apartments
Locations: (1) 6852-58 S. Paxton and 2148-50 E. 69th St.; (2) 6840-58 S. Crandon and 2220-36 E. 69th St.; (3) 7001-09 S. Crandon and 2305-11 E. 70th St., (4) 6951-57 S. Crandon and 2308-14 E. 70th St., (5) 7006-08 S. Crandon and 2235-37 E. 70th St. and (6) 7015-25 S. Crandon and 2300-10 E. 70th St. in Chicago (Cook County), Illinois 60649
Organization: Waterton Vistas II, L.L.C. will ultimately convey its rights in the IFA Inducement Resolution to an Illinois Limited Partnership to be formed
State: Illinois
Ownership: Waterton Vistas II, L.L.C., a Delaware Limited Liability Company, General Partner: 0.01% (Mr. Peter Vilim and Mr. David Schwartz are the only two individuals with a 7.5% or greater membership interest in Waterton Vistas II, L.L.C.)

Paramount Financial Group, Granville, OH, 99.99% (through syndication of 4% low income housing tax credits to large corporations, including affiliates, subsequent to closing)

Current Property
Owner: New Vistas Apartment Associates Phase II, an Illinois limited partnership:

General Partner: Neighborhood Reinvestment Resources Corporation, c/o Mr. Lance J. Graber,
Executive Vice President, Apartment Investment and Management Company, Stanford Place 3,
4582 South Ulster Street Parkway, Suite 1100, Denver, CO 80237.

PROFESSIONAL & FINANCIAL

Counsel:	Piper Rudnick	Chicago, IL	Mark Yura
Bond Counsel:	Sidley Austin Brown & Wood	Chicago, IL	
Underwriter:	Stern Brothers & Co.	Chicago, IL	David S. Rasch
Underwriter's Coun.:	Sidley Austin Brown & Wood	Chicago, IL	
Guaranty:	FNMA (through GMAC)	Washington, DC	
Lender:	GMAC Commercial Mortgage Corp., Affordable Housing Division	Nashville, TN	Robert King
Lender's Counsel:	O'Melveny & Myers	Los Angeles, CA	Masood Sohaili
Trustee:	To be determined		
General Contractor:	Waterton Associates L.L.C.	Chicago, IL	
FNMA DUS Management Agent:	Waterton Property Management LLC	Chicago, IL	Frank Romano
Tax Credit Syndicator:	Paramount Financial Group	Granville, OH	Joel Hauenstein
Counsel to Syndicator:	Bronson & Migliaccio	Purchase, NY	Rich Migliaccio
Rating Agencies:	To be determined		
IFA Counsel:	To be determined		

LEGISLATIVE DISTRICTS

Congressional:	2
State Senate:	13
State House:	25

ILLINOIS FINANCE AUTHORITY

MEMORANDUM

To: IFA Board of Directors

From: Rich Frampton

Date: May 18, 2004

Re: Overview Memo for Architektur/80, Inc. and its affiliates
(Valley View Apartments Project)
M-MH-TE-CD-404

- **Borrower:** Architektur/80, Inc. and its affiliates
- **Location:** Rockford (Winnebago Co.)
- **Principal Project Contact:** Mr. Alden Orput, President
- **Board Action Requested:** Preliminary Bond Resolution
- **Amount:** not to exceed \$7.5 million
 - **Uses:**
 - Acquisition of existing 167-unit affordable senior apartment facility
 - Substantial renovations of facilities (approximately \$3.54 million) for
 - *Residential Unit Improvements:* new kitchen cabinets and appliances; new flooring/carpeting in kitchen, bath, and living areas; repainting; new window blinds; new window A/C units; new bathroom vanities and mirrors; substantial reconfiguration of certain units
 - *Common Area Improvements:* Support Services Floor (4740 sf of additional space via enclosure of common area 2nd floor balcony); new laundry and beauty shop facilities, new craft shop, new library and computer room, new exercise and game rooms, kitchen facility for lunch programs, medical examination room, refurbished and upgraded corridors and common areas; elevators and service areas to meet ADA requirements
 - *Building/Exterior Improvements:* new water heater, water pipe replacement, parking lot resurfacing; new ramp installation; increase unit storage facilities; outside lighting replacement; extensive roof repair
- **Project Type:** Multifamily Housing Revenue Bonds

- **IFA Benefits:**
 - **Conduit Tax-Exempt Bonds** – no direct IFA or State funds at risk
 - **New Money Bonds:**
 - convey tax-exempt status
 - will use \$7.5 million of dedicated of 2003 Carryforward Volume Cap designated specifically for affordable rental housing projects; \$5.5 million unencumbered as of 5/2004

- **IFA Fees:**
 - One-time, upfront closing fee estimated at \$57,750 (reflects use of Volume Cap)

- **Structure/Ratings:**
 - Bonds to be sold directly based on FHA/GNMA credit enhancement
 - **Ratings** – based on Aaa/AAA/AAA rated FHA/GNMA credit enhancement (Moody's/S&P/Fitch)
 - **Current and estimated rates:** Estimated at 5.25% for a 40-year term by the project consultant.

- **Recommendations/Conditions:**
 - Staff recommends approval – because transaction is an investment grade conduit bond issue, no extraordinary conditions will be required.

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY**

**Project: Architektur/80, Inc. and its affiliates
(Valley View Apartments Project)**

STATISTICS

IFA Project #:	M-MH-TE-CD-404	Amount:	\$7,500,000 (not-to-exceed amount)
Type:	Housing Bonds	IFA Contact:	Rich Frampton
Location:	Rockford	Tax ID:	36-2785168
SIC Code:	6513	Est. fee:	\$57,750

BOARD ACTION

Preliminary Bond Resolution
Staff recommends approval
Conduit Multifamily Rental Housing Revenue Bonds
No extraordinary conditions

PURPOSE

Acquisition and renovation of an existing 167-unit, 13-story senior housing property in Rockford, Illinois.

VOLUME CAP

IFA has \$16.0 unused 2003 Carryforward Volume Cap available for this project. After this project, IFA will have approximately \$8.5 million of unencumbered 2003 Carryforward designated for affordable rental housing bonds.

VOTING RECORD

None. This is the first time this project has been presented to the IFA Board.

PRELIMINARY ESTIMATED SOURCES AND USES OF FUNDS

Sources:	Tax-Exempt Bonds	\$6,420,000	Uses:	Project costs	\$6,495,000
	LIH Tax Credits	1,835,000		GNMA Payment Lag	30,000
	*Deferred Devel. Fee	<u>261,562</u>		Reserves	475,562
				Construction Interest	316,000
				Issuance/Fin. Costs	350,000
				Development Fee	<u>850,000</u>
Total		<u>\$8,516,562</u>	Total		<u>\$8,516,562</u>

*Note: The Deferred Developer's Fee is to be paid out of cash flows and tax credit investor funds (available after mortgage payments and required reserves) subject to satisfying terms of FHA's financial performance covenants and the Partnership Agreement to be negotiated with a Tax Credit Syndicator. Payment of the Deferred Developer's Fee must also conform to pertinent federal statutes for Low Income Housing Tax Credits (i.e., Section 42 of the Internal Revenue Code).

JOBS

Current employment:	4	Projected new jobs:	0
Jobs retained:	N/A	Construction jobs (18 mo's.):	85

BUSINESS SUMMARY

Background: Architektur/80, Inc. (the "Initial Applicant") is an Illinois Corporation established in 1973 and is engaged in real estate development and management and is owned by Mr. Alden Orput of Chicago, Illinois and Mr. Jeffery Orput of Rockford, Illinois.

The Initial Applicant intends to form a Limited Partnership (the "Borrower" or "Applicant") upon obtaining financing commitments that will redevelop and own the proposed facility. The 0.01% General Partner of this Limited Partnership will Architektur/80, Inc. or its affiliates. The 99.99% Limited Partner(s) will be Tax Credit Syndicators to be determined.

Description: Architektur/80, Inc. was formed in 1973 by Mr. Alden E. Orput of Chicago, Illinois. Mr. Orput serves as President of Orput Companies, a design/build and property management company based in . Additionally, Mr. Orput serves as Managing Partner of (1) Willow Creek Development, a 300-acre, mixed use development in Machesney Park, Illinois (just north of Rockford) and (2) Edgebrook Ltd. Partnership, owner of the 5-story Edgebrook professional building and the 35-store Edgebrook Center constructed in Northeast Rockford in 1973.

Through Architektur/80, Inc., the principals have owned, developed, or managed five affordable rental properties, including four senior rental properties and one multifamily rental property. The Company's Illinois properties include three projects financed by the Illinois Housing Development Authority, including (1) IHDA/HUD Section 236 Valley View (Senior) Apartments in Rockford, Illinois (the subject property), (2) the 121-unit IHDA HUD Section 236 Westport Village multifamily project in Freeport and (3) the 119-unit IHDA Section 8 elderly Shadley Apartments in Belvidere. Additionally, affiliates of the Applicant have developed and managed two properties in Wisconsin, including (1) a 130-unit Section 8 elderly building in Waukesha, WI and (2) a 182-unit Section 8 elderly building in Kenosha, WI. Th

Remarks: The proposed project will finance improvements, upgrades, and structural repairs all considered essential by the proposed purchaser to maintain competitiveness of the property. The proposed financing will maintain the property as an affordable property. Tax-exempt financing provided through IFA will help finance the acquisition and renovation of the proposed improvements at the most reasonable cost possible.

The purchaser will be acquiring a fee simple interest in the subject property.

Financials:

Projected Project Income/Expense Statements 2004-2006 under new ownership.

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Projected Year 2004</u>	<u>2005</u>	<u>2006 Post- completion</u>
Income:						
Gross Rental Income	\$904,940	\$928,923	\$929,322	\$993,108	\$1,022,901	\$1,053,588
Vacancy/Coll. Loss	(60,546)	(51,487)	(61,977)	(69,518)	(71,604)	(73,752)
Other Income (Net):	<u>213,803</u>	<u>209,880</u>	<u>215,811</u>	<u>188,267</u>	<u>188,267</u>	<u>188,267</u>
Project Income:	1,058,197	1,087,316	1,083,156	1,250,893	1,282,772	1,315,607

Architectur/80, Inc. and its affiliates
 (Valley View Apartments Project)
 Page 3

Operating Expenses:						
Payroll	93,407	103,266	107,183	110,398	113,710	117,122
General Administrative	65,030	64,529	74,156	76,381	78,672	81,032
Operating & Maintenance	132,557	112,007	115,777	119,250	122,828	126,513
Utilities	100,814	86,263	113,016	116,406	119,899	123,496
R/E Taxes	118,365	119,867	98,857	101,823	104,877	108,024
Insurance	53,119	58,399	67,972	70,011	72,111	74,275
Mgmt. Fees	74,486	77,846	76,998	79,308	81,687	84,138
Landscaping, Pest Control	-	-	-	-	-	-
Replacement Reserve	-	-	-	25,670	25,670	25,670
Other Exp.	11,115	10,015	10,787	11,111	11,444	11,787
Total Oper. Expenses & Repl. Reserve:	<u>648,893</u>	<u>632,192</u>	<u>664,746</u>	<u>710,358</u>	<u>730,899</u>	<u>752,056</u>
Net Operating Cash Flow before Debt Service (excl. Depr./Amort.):	<u>409,304</u>	<u>455,124</u>	<u>418,410</u>	<u>540,535</u>	<u>551,873</u>	<u>563,551</u>
Actual Annual Debt Service Payment - 1st Mortgage:	191,255	185,219	178,714	493,448	493,448	493,448
Pro Forma Debt Svc. Cover. - 1st Mortgage (x):	2.14x	2.46x	2.34x	1.10x	1.12x	1.14x

- Discussion: Projection Assumptions:
- (1) Construction begins 7/1/04;
 - (2) Construction will be 100% complete as of 12/31/05;
 - (3) An 18-month renovation period for the entire project; no material tenant displacement
 - (4) 7% vacancy and collection loss rate – consistent with historical levels
 - (5) Stabilized occupancy at new monthly rental rates in 2006; first full year after project completion
 - (6) Bond issued as of 7/31/04; debt service payments begin 9/04;

Proposed debt service payment reflect additional debt financing substantial renovations to the subject property. The projections indicate that the project will generate 1.14 times debt service coverage or better beginning in 2006, the first full year following completion of the proposed improvements. HUD loan covenants will require cash flows sufficient to cover Valley View's obligation on the IFA Bonds by 1.10 times or better.

Upon completion of the substantial renovations, Valley View will consist of 48 Studio/1BA units (456 sq. ft.) and 119 1BR/1BA units (600 sq. ft.). All 159 units will be designated as low income units. Projected monthly rents will be \$403/mo. for the Studio units and \$520/mo. for the 1 BR units (excluding estimated monthly utilities of \$23-\$26/mo.).

Market Facts: HUD will require a fair market value appraisal on the subject property as a precondition for closing on any loan commitment. The final Board Report will extract market comparable information from the final appraisal report.

The following market facts were prepared by the Applicant and their financial consultant in connection with the IFA Bond Application. Staff has not independently verified the rental or vacancy rates reported below since the final financing commitment will be contingent on a satisfactory real estate appraisal on the subject property (to be prepared as a preclosing condition for HUD and the Tax Credit Syndicator).

According to the Applicant, there are three comparable senior rental properties within the market area of the subject and are all currently 100% occupied.

Market Comparables:

- (1) *Longwood Plaza* is a 65-unit senior apartment facility located at 1055 E. State Street in Rockford, Illinois that was constructed in 1998. Monthly rents for the units range from \$319 (Studio/1BA; 300 sq. ft.) to \$397 (1BR/1BA; 450 sq. ft.). Rents on most units are limited to no more than 50% of adjusted median income for most of the units. Project is 100% occupied and has had waiting lists of up to 30 during the past two years.
- (2) *Skyrise Apartments* is a 170-unit senior apartment facility located at 837 N. Main Street in Rockford, Illinois that was constructed in 1972. This property has a combination of Section 236 units and market rate units. 34 units are Section 8. This property features both 425 sq. ft. and 525 sq. ft. 1 BR/1BA units. The Section 236 units rent at \$341/month and the market rate units rent at \$403/mo. for the 425 sq. ft. units and \$448/mo. for the 525 sq. ft. units. Project has been 100% occupied with waiting lists of three to nine months, depending on unit size during the past two years.
- (3) *Valkommen Plaza* is a 171-unit senior apartment property located at 310 South 7th Street in Rockford, Illinois that was constructed in 1981. This property is 100% Section 8 (by tenant) and features 600 sq. ft., 1BR/1BA units that rent for \$733/mo., excluding heat/water/parking. Project has had waiting lists of up to two months during the past two years.

Compared to these three comparables, Valley View is the only property with vacancies. Valley View has a high percentage of less desirable efficiency units compared to comparable properties. Additionally, historical rents have been significantly higher than its comparables. The proposed improvements will strengthen the competitive position of the building by renovating units and expanding common/recreational areas.

Subsidies: This financing will include syndication proceeds generated by the sale of 4% Low Income Housing Tax Credits. The credit rate on the project is currently \$0.81 per. Upon completion of the proposed renovations, a minimum of 40% of the units will be set aside to households earning no more than 60% of area median income.

Because of the use of Tax Credits for 100% of the units, rents at this property will be 100% rent-restricted pursuant to IRS regulations for a minimum of 15 years.

Accessibility: According to Martin Financial Corporation, financial consultant to the Developer, this project is exempt from Americans with Disabilities Act ("ADA") requirements regarding minimum unit set-asides and related accessibility and adaptability requirements. According to the Developer, two of the 159 units for rental will be fully wheelchair accessible. Common areas and elevators will be adapted to comply with ADA requirements.

FINANCING SUMMARY

Security: The Bonds will be secured by Government National Mortgage Association ("GNMA") mortgage-backed securities (the "GNMA Security"). Timely payment of principal and interest will be guaranteed by GNMA. To cover GNMA's customary 20-day payment lag, the Applicant plans to capitalize capitalizing an estimated \$30,000 GNMA Payment Lag Reserve to satisfy S&P's "AAA" rating benchmark.

Bondholder's recourse is limited to the Project. This financing is non-recourse to its Owners. (The GNMA Security will be backed by a single mortgage loan made by the GNMA Lender/Servicer to the Borrower. The mortgage loan will be insured by the Federal Housing Administration ("FHA").

Ratings: Aaa/AAA/AAA-rated (Moody's/S&P/Fitch) based on FHA/GNMA credit enhancement
Structure: Fixed Rate Bonds
Maturity: 40 Years (interest payments only during renovation period then 40 years of permanent financing); Estimated rate is 5.25% by project financial consultant as of date of application.

Subordinated Debt: None

PROJECT SUMMARY

Bond proceeds will be used to finance the purchase and renovation of an existing 13-story, 159-unit senior apartment property located at 3303 East State Street, Rockford (Winnebago County), Illinois. The property is commonly known as Valley View Apartments. Additionally, bond proceeds will be used to pay costs of issuance, capitalized interest, and development-related soft costs.

Estimated project costs are as follows:

Land Acquisition:	\$250,000
Building Acquisition.:	2,200,000
Renovations:	3,925,000
Arch./Eng./Profess. Fees	<u>150,000</u>
Total:	<u>\$6,495,000</u>

Renovation Costs are estimated as follows:

Roof Improvements	\$245,000
Doors/Window Replacement	160,000
Plastering and Drywall Repair (unit reconfiguration)	365,000
Common Area Improvements	300,000
Painting and Decorating	330,000
Cabinets and Appliances	210,000
Floors and Carpets	290,000
Plumbing and Hot Water	720,000
HVAC and unit A/C replacement	250,000
Electrical	230,000
Site Improvements	65,000
Builder's Overhead/Profit	230,000
Contingency/Landscaping/Exterior Impr.	350,000
General Improvements	<u>150,000</u>
Total:	<u>\$3,895,000</u>

ECONOMIC DISCLOSURE STATEMENT

Applicant: Architectur/80, Inc. (Mr. Alden Orput, President, Architectur/80 Inc., 1639 N. Alpine Road, Rockford (Winnebago County), IL 61107; Tel.: 815-316-1060)
 Alternate Contact: Mr. Martin E. Willis, President, Martin Financial Corporation, 180 N. LaSalle Street, Suite 2001, Chicago, IL 60606; Ph.: 321/541-2600; e-mail: martinfinancial@sbcglobal.net

Project name: Valley View Apartments
Location: 3303 East State Street, Rockford (Winnebago County), IL
Organization: Limited Partnership
State: Illinois
Ownership: To be formed Illinois Limited Partnership
General Partner: An Illinois Limited Partnership to-be-formed and affiliated through common ownership with Architectur/80, Inc.: 0.01% (Mr. Alden Orput and Mr. Jeffery Orput will be the sole beneficiaries of this limited partnership)
Limited Partner: A tax credit syndicator, to be determined: 99.99% (ultimately this ownership interest will be distributed through syndication of 4% Low Income Housing Tax Credits to large corporations, subsequent to closing).

Current Land Owner: Valley View Apartments, Ltd. Liquidating Trust, c/o Thomas A. Killoren, Esq., Trustee, 120 West State Street, Suite 400, Rockford, IL 61101

PROFESSIONAL & FINANCIAL

Counsel:	Applegate & Thorne-Thomsen	Chicago, IL	Mark Burns
Accountant:	BDO Seidman	Rockford, IL	
Borrower			
Consultant:	Martin Financial Corp.	Chicago, IL	Marty Willis
Bond Counsel:	Chapman and Cutler, LLP	Chicago, IL	Matt Lewin
Underwriter:	Kirkpatrick Pettis	Chicago, IL	James W. ("Tod") Miles
Underwriter's Coun.:	Barnes & Thornberg	Chicago, IL	Darren Collier
Credit Enhancement:	HUD	Chicago, IL	Ed Hinsberger
	GNMA	Washington, DC	
Bond Trustee:	To be determined		
Architect/Eng.:	Seigfreid, Edwards, Coady, LLC	Cherry Valley, IL	
Gen. Contractor:	Ringland-Johnson Construction, Inc.	Cherry Valley, IL	
Management Agent:	Architektur/80 Management, Inc.	Rockford, IL	Jeff Orput
Tax Credit			
Syndicator(s):	To be determined		
Counsel to			
Syndicators:	To be determined		
Rating Agency:	To be determined		
IFA Counsel:	To be determined		

LEGISLATIVE DISTRICTS

Congressional: 16 Donald A. Manzullo
State Senate: 34 Dave Syverson
State House: 67 Chuck Jefferson

ILLINOIS FINANCE AUTHORITY

Memorandum

To: IFA Board of Directors
From: Laura Lanterman
Date: May 18, 2004
Re: Overview Memo for Beginning Farmer Bonds

- **Borrower/Project Name:** Beginning Farmer Bonds
- **Locations:** Throughout Illinois
- **Board Action Requested:** Preliminary Bond Resolutions/Inducement Resolutions for each attached project
- **Amounts:** amounts up to \$250,000 maximum of new money for each project
- **Project Type:** Beginning Farmer Revenue Bonds
- **IFA Benefits:**
 - **Conduit Tax-Exempt Bonds** – no direct IFA or State funds at risk
 - **New Money Bonds:**
 - convey tax-exempt status
 - will use dedicated 2004 IFA Volume Cap set-aside for Beginning Farmer transactions
- **IFA Fees:**
 - One-time closing fee equal to 1.50% of the bond amount for each project (\$7,727 combined for Preliminary Bond Resolutions, as proposed)
- **Structure/Ratings:**
 - Bonds to be purchased directly as a nonrated investment held until maturity by the Borrower's Bank
 - The Borrower's Bank will be secured by the Borrower's assets, as on a commercial loan
 - Interest rates, terms, and collateral are negotiated between the Borrower and the Participating Bank, just as with any commercial loan
 - Workouts are negotiated directly between each Borrower and Bank, just as on any secured commercial loan

BEGINNING FARMER BOND LOANS
New Project for Inducement Resolution
May 18, 2004

Project Number: A-FB-TE-CD-417
Borrower(s): Scott Soberg
City: Chrisman
Amount: \$250,000
Use of Funds: Farmland – 180 acres
County: Edgar
Lender/Bond Purchaser: State Bank of Chrisman

Principal shall be paid annually in installments determined pursuant to a twenty year amortization schedule, with the first principal payment date to be January 15, 2005. Accrued interest shall be paid annually.

Interest shall be charged at the rate of 5.00% per annum until January 15, 2007, thereafter adjusted annually to a rate not to exceed 90% of the then Prime Rate as quoted in The Wall Street Journal, with a floor of 5.00%.

Project Number: A-FB-TE-CD-418
Borrower(s): Jeremiah D. Fleming
City: Olney
Amount: \$165,150
Use of Funds: Farmland – 83 acres
County: Richland
Lender/Bond Purchaser: Citizens National Bank of Albion

Principal shall be paid annually in installments determined pursuant to a twenty year amortization schedule, with the first principal payment date to be one year from close. Accrued interest shall be paid annually.

Interest shall be charged at the rate of 5.00% per annum for the first ten years, thereafter adjusted every five years to a rate not to exceed ____% below the then Prime Rate as quoted in The Wall Street Journal with a floor of ____%.

BEGINNING FARMER BOND LOANS
New Project for Inducement Resolution
April 20, 2004

Project Number:	A-FB-TE-CD-419
Borrower(s):	Eric W. Beyers and Dawn M. Beyers
City:	Rosamond
Amount:	\$100,000
Use of Funds:	Farmland – 40 acres
County:	Christian
Lender/Bond Purchaser:	Security National Bank, Witt

Principal shall be paid annually in installments determined pursuant to a twenty year amortization schedule, with the first principal payment date to be one year from close. Accrued interest shall be paid annually.

Interest shall be charged at the rate of 3.20% per annum for the first five years, thereafter adjusted every five years to a rate not to exceed 80% of the then Prime Rate of United Missouri Bank in St. Louis, Missouri.

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY**

Project: Illinois Finance Authority First Home Illinois Single Family
Mortgage Revenue Bond Program, Series 2004

STATISTICS

Project Number:	M-FR-TE-NC-401	Amount:	\$50,000,000
Type:	Single Family Housing	PA:	Townsend Albright
Location:	Statewide	Tax ID:	71-0641478
Fee:	\$250,000 paid in increments as bonds are issued, plus a 0.10% annual fee based on committed loans packaged into either FNMA or GNMA mortgage backed securities		
SIC:	6162		

BOARD ACTION

Final Bond Resolution: The Sponsor requests (i) IFA Board approval to carve out \$50,000,000 from the IDFA Board approved but as yet unissued balance of approximately \$134,000,000 taxable FreshRate™ bonds to issue the proposed tax-exempt bonds, and (ii) approval to allocate up to \$50,000,000 in IFA Volume Cap that is necessary to issue the proposed bonds. Staff recommends approval.

PURPOSE

Provide low mortgage rates and 4% downpayment assistance to low and moderate income qualified homebuyers throughout Illinois.

VOLUME CAP

Request Board approval for \$50,000,000 in Volume Cap for this project.

VOTING RECORD

Voting record from IFA Initial Bond Resolution on February 16, 2004:
Ayes: 8 Nays: 0 Abstentions: 0 Absent: 1, (Valenti)

SOURCES AND USES OF FUNDS

Sources:	Bonds	\$50,000,000	Uses:	Program Fund	\$50,000,000
	Bond Premium	2,000,000		Acquisition Account	
	Commitment and Servicer Fees	<u>750,000</u>		Down Payment	2,000,000
				Assistance Subaccount	
				Cost of Issuance	<u>750,000</u>
Total		<u>\$52,750,000</u>	Total		<u>\$52,750,000</u>

JOBS

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

ILLINOIS FINANCE AUTHORITY

MEMORANDUM

MEMO TO: IFA Board of Directors
FROM: Townsend S. Albright
DATE: May 18, 2004
RE: Overview Memo of First Home Illinois Single Family Mortgage Revenue Bond Program, Series 2004

- **Borrower/Project Name:** First Home Illinois Tax-exempt Single Family Mortgage Revenue Bonds
- **Location:** Statewide, which includes IRS-designated Target Areas.
- **Principal Project Contact:** Tom Langdon, Stephens, Inc., Chicago, Illinois
- **Amount:** Up to \$50,000,000. The Servicer accumulates mortgages into \$2-\$5 million bundles (tranches) and sells them to FNMA. FNMA or GNMA guarantees the mortgages and the Trustee issues the bonds. The financing team members get paid *pro-rata* as tranches are issued. Financing team fees are listed in Exhibit A.
- **Project Type:** Tax-exempt Single Family Mortgage Revenue Bonds; (i) Bond proceeds will be used to finance the acquisition of mortgage-backed certificates guaranteed as to timely payment of principal and interest by the Federal National Mortgage Association and the Government National Mortgage Association, (ii) At the borrower's option, an amount equal to 4% of the loan amount will be set aside to cover homeowner downpayment and closing cost assistance.
- **IFA Benefits:** Providing qualified low to moderate-income first-time homebuyers who have good credit but do not have the money for a downpayment to purchase a home.
- **IFA Fee:** \$250,000 paid in increments as bonds are issued to finance mortgage tranches, plus a 0.10% annual fee based on committed loans packaged into either FNMA or GNMA mortgage backed securities
- **Ratings:** The bonds will be rated "AAA" by Standard & Poors, and carry a guarantee from GNMA. GNMA securities have the pledge of the full faith and credit of the United States.
- **Marketing Plan:** The Sponsor plans to hold meetings with mortgage bankers, realtors, and developers located in the Chicagoland area and in Target Area cities in each of the State's ten economic regions designated in the Governor's economic plan *Opportunity Returns*. Statewide meeting sites are listed in Exhibit B. Marketing meetings will include IFA Program personnel and will be held between May 17 through May 28, 2004.
- **Origination Schedule:** Between 60 to 90 days. The IRS requires 20.0% (\$10 million) of the bonds be set aside for Target Areas. The first-time homebuyer restriction does not apply in Target Areas.

BUSINESS SUMMARY

Background: The First Home Illinois (formerly FreshRate™) Single Family Mortgage Revenue Program (the "Program") was created and proposed to IDFA by Bank One Capital Markets, Inc., Oklahoma City, OK. In 1998 the IDFA Board authorized the issuance of \$600 million in bonds for the Program. The existing FreshRate™ Single Family Mortgage Revenue Program bonds are taxable, and will be offered in the marketplace as both fixed-rate and as five-year ARMs. The new name for this Program is Home Mortgage Illinois. Home Mortgage Illinois mortgages have higher income limits and do not apply to only first-time homebuyers. Bank One Capital Markets, Inc. passed the Program to Stephens, Inc. when Bank One exited the housing finance market.

Description: The proposed tax-exempt Program provides funds for 4% downpayment assistance to FHA/VA, RHS, and conventional qualified homebuyers. Income and home price limits are set by the U.S. Treasury. Income restrictions for this Program generally are equal to or lesser than 115% of median county or state average income, which, according to the 2000 census, is approximately \$46,590. The loan includes the 4.0% downpayment assistance. Since the proceeds from the proposed bond issue will be used by numerous borrowers, the Program is a discrete blind pool. Each new tranche is assigned a fixed-market interest rate upon origination that is current with the home mortgage market. This keeps the Program competitive in the marketplace with other programs.

Program Servicer purchases the mortgages, accumulates them into \$2 - \$10 million tranches, and delivers them to FNMA. FNMA purchases the mortgages. The mortgages in the tranches are guaranteed by either FNMA or GNMA. FNMA delivers the guarantee certificate to the Servicer who delivers the certificate to the Trustee. The Trustee issues the pass-through securities. Each new tranche is assigned a fixed-market interest rate upon origination that is current with the home mortgage market. This keeps the Program competitive in the marketplace with other programs. The IFA is the issuer of the bonds. This is not a conduit financing.

Remarks: Discount points can be collected by the lender out of sale proceeds from the seller or home builder as is customary to the market. The Program allows the lender a 1% Origination Fee on the amount of requested allocation and the lender collects a 1% Service Release Fee for FHA-VA-RHS loans or a 0.5% Service Release Fee on conventional loans at loan sale to the Servicer. The Program Servicer purchases the mortgages after they have been vetted for compliance with contractual requirements.

Example: Fred and Ima Homebuyer locate the home of their dreams in My Blue Heaven, IL for \$200,000. They learn that on May 5, 2004 the interest rate on a conventional five-year ARM with 100.0% of the purchase price and no closing points is 5.375%. With one closing point the same five-year ARM rate is 5.00%. The couple must pay closing costs out of pocket. The Homebuyers have the expensive alternative of an "80/20Combo", which is an 80.0% mortgage and a 20.0% home equity loan. Rates on this alternative on May 5, 2004 average 6.50% for the mortgage and prime plus 3.5% on the home equity portion (7.50%)*

The couple qualifies for the Program. The tax-exempt feature of the Program allows the rate to the prospective homebuyer to be approximately 50 basis points (one-half percent) lower than current conventional five-year ARMS offering 100.0% financing. The Illinois First Home mortgage rate would be approximately a 4.50% rate. The 1.0% Origination Fee and the 1.0% Service Release Fee is paid by the seller and is normally built into the price of the home. Out of pocket miscellaneous closing costs will be approximately \$500.00. The Homebuyers purchase their home and are happy in My Blue Heaven.

*source: www.bankrate.com

Additional programs: (i) The Illinois Housing Development Authority offers the Help program. The program offers qualified first time homebuyers a 4.25% of the purchase price of the home as a grant, which can be used for the 3.0% downpayment, and 1.25% for the origination fee. The rate as of May 4, 2004 is 6.10%. This is a fixed-rate 30-year loan. Participating communities ceded their Volume Cap to IHDA and have exclusive use of the funds for their constituents for one year, effective June 15, 2003. (ii) Local Government units such as McHenry County and the City of Aurora offer first time homebuyer programs. Most provide downpayment and/or closing cost assistance to eligible homebuyers. The homebuyer must provide a minimum of \$1,000.00 towards the down payment. These are fixed-rate loans with an interest rate comparable to the IHDA loan. (iii) HUD offers the American Dream Downpayment Program Initiative ("ADDI") in which funds are allocated in Community Development Block Grants for all 50 states, the Commonwealth of Puerto Rico, and US territories. ADDI mortgages are for low-income homebuyers whose income cannot exceed 80.0% of the median income where the homebuyers live.

In mid-2003 IDFA, one of IFA's predecessor authorities Authority also uses to calculate the number of construction and trade jobs created by each mortgage. Between January 1, 1999 and December 31, 2002 IDFA's Taxable Program generated 2,067 mortgage loans having an average amount of \$110,000. The \$200 million 1998 Program generated approximately 1,800 mortgages and 1,900 jobs. The 2002 approval of the remaining \$185 million in the Program should generate approximately 1,700 mortgages and 1,750 jobs. *The Program has generated approximately 4,100 good paying jobs, and should generate approximately 1,750 more for a total of 5,850 jobs for Illinois residents. Additionally, the numbers tell us approximately 69.0% of participating mortgagees are minorities.*

Risk Factors: FNMA and GNMA are federal agencies who are chartered to purchase mortgages by issuing Mortgage Backed Securities, which are sold to institutional, and private investors. GNMA securities have the pledge of the full faith and credit of the United States.

FINANCING SUMMARY

Security: FHA insured, VA guaranteed, RHS guaranteed, and conventional mortgages will be wrapped into \$2-\$10 million pools of FNMA pass-through securities.

Placement: Placement of all Series 2004 bonds to Federal National Mortgage Association or general municipal investors.

Structure: Five-year Adjustable Rate Mortgage loans. The bonds will be Multi-Mode Auction Rate securities.

Rating: The bonds will be rated "AAA" by S&P.

Caution: A lynchpin of this transaction is the Swap Provider. If the Swap Agreement is not completed by May, 15 the transaction will be pulled for the next IFA Board meeting.

PROJECT SUMMARY

- (i) Bond proceeds will be used to finance the acquisition of mortgage-backed certificates guaranteed as to timely payment of principal and interest by the Federal National Mortgage Association or the Government National Mortgage Association
- (ii) An amount equal to 4% of the loan amount will be set aside to cover homeowner downpayment and closing cost assistance. This amount is included in the mortgage note.

ECONOMIC DISCLOSURE STATEMENT

Sponsor: Stephens, Inc. Chicago, Illinois
 Project name: Illinois Finance Authority Tax-Exempt FreshRate™ Single Family Mortgage Program
 Location: Statewide except Buda, Butler, Crestwood, Dunfermline, Green Oaks, Manteno, Morton Grove, New Berlin, Oakbrook Terrace, Olympia Fields, and Sleepy Hollow
 Organization: Corporation
 State: Illinois

PROFESSIONAL & FINANCIAL

Underwriter	Stephens, Inc.	Chicago, IL	Tom Langdon
Underwriter's Counsel	Peck, Schaffer & Williams	Chicago, IL	George A. Buzard
Servicer	Mortgage Clearing Corp.	Tulsa, OK	Jarry Jones
Accountant:	PricewaterhouseCoopers, LLP	Columbus, OH	Robert Harless
Co-Bond Counsel:	Chapman and Cutler, LLP	Chicago, IL	Matt Lewin
Co-Bond Counsel:	Pugh, Jones & Johnson, P.C.	Chicago, IL	Scott A. Bremer
Issuer's Counsel:	Burke, Burns & Pinelli	Chicago, IL	Mary Pat Burns
Financial Advisor:	Kirkpatrick Pettis	Chicago, IL	Bill Morris
Swap provider:	Huntington National Bank	Columbus, OH	Robert Harless
Swap Provider Counsel:	Bricker & Eckler, LLP	Columbus, OH	David Rogers
Auction Agent:	TBD		
Trustee:	JP Morgan Trust Co., NA	Chicago, IL	Kevin Ryan

LEGISLATIVE DISTRICTS

Congressional: Statewide
 State Senate: Statewide
 State House: Statewide

**Exhibit A
 Fees: Professional and Financing Team**

Issuer	IFA	\$250,000
Issuer's Counsel	Burke, Burns & Pinelli	16,000
Financial Advisor	Kirkpatrick Pettis	60,000
Bond Counsel	Chapman and Cutler	91,000
Co-Bond Counsel	Pugh, Jones & Johnson, P.C.	39,000
Swap Provider Counsel		20,000
Underwriter	Stephens, Inc.	161,500
Underwriter's Counsel	Peck, Schaffer & Williams	35,000
Project Marketing	Various	50,000
Rating Agency	Standard & Poors	20,000
Trustee	J. P. Morgan	7,500
Total		\$750,000

Ongoing fees in basis points times outstanding bonds

Trustee 4.0bp
 Issuer 10.0bp
 Remarketing Agent 25.0bp
 Servicer 37.5bp
 FNMA 25.0bp
 (or 15.0bp if the loan is FHA, RHS, or VA insured)

**List of Illinois Cities Located in Target Areas in Each of the State's Ten Economic Regions Designated in the
Governor's Economic Plan *Opportunity Returns***

1. Quincy, Macomb
2. Peoria
3. Granite City, West Frankfort
4. Carbondale
5. Mount Vernon
6. Decatur
7. Kankakee, Hopkins Park
8. Waukegan, North Chicago
9. Portions of Cook County
10. Joliet
11. Robinson

First Home Illinois will be marketed to mortgage bankers and realtors in Rockford-Belvidere-Freeport, and in the Quad Cities.

ILLINOIS FINANCE AUTHORITY
Memorandum

To: IFA Board of Directors
From: Steven Trout, Program Administrator
Date: May 7, 2004
Re: Overview Memo for MacLean-Fogg Company and Subsidiaries

- **Borrower/Project Name:** MacLean-Fogg Company and Subsidiaries
- **Locations:** Mundelein (Lake Co.), Wheeling (Cook Co.), Franklin Park (Cook Co.), Green Oaks (Lake Co.) and Savanna (Carroll Co.)
- **Principal Project Contact:** Edward J. Ashton, Treasurer
- **Board Action Requested:** Final Bond Resolution
- **Amount:** Not to exceed \$7,300,000, comprised of:
 - **Tax-exempt New Money Bonds:** \$2,800,000 to finance equipment and machinery at facilities located in Mundelein, Wheeling, Frank Park, Green Oaks and Savanna
 - **Tax-exempt Refunding Bonds:** \$4,500,000 to refinance outstanding Industrial Development Bonds
- **Project Type:** Industrial Revenue Bonds

IFA Benefits:

- **New Money Tax-exempt:** Conveys tax-exempt status and provides \$2.8 million of Volume Cap
- **Refunding Tax-exempt Bonds:** Extending maturities to match the extended economic life of equipment and machinery that has been extensively refurbished

IFA Fees: One-time closing fee will be \$44,000

Structure:

- Conduit Bond Issue—no IFA funds at risk
- Secured by a Letter of Credit provided by Bank of America (rated A-1/A+/Stable by Standard & Poors, P-1/Aa2/Stable by Moody's and F-1+/AA-/Positive by Fitch)
- Estimated Average Interest Rate: 6.25% (2.5% as of 5/5/04)

Issuer's Counsel: Freeborn & Peters

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY**

Project: MacLean-Fogg Company and Subsidiaries

STATISTICS

Project Number: I-ID-TE/TX-CD-404	Amount: \$7,300,000 (not-to-exceed amount)
Type: Industrial Revenue Bond	PA: Steven Trout
Location: Mundelein, Wheeling, Franklin Park, Green Oaks and Savanna	Tax ID: 36-2431745
SIC Code: 5085	Est. fee: \$44,000

BOARD ACTION

Final Bond Resolution	No IDFA funds at risk.
Conduit Tax-Exempt/Taxable Industrial Revenue Bonds	Staff recommends approval.
No extraordinary conditions	

PURPOSE

Proceeds will be used to refinance outstanding City of Savanna Series 1994 Industrial Development Bonds, acquire new machinery and equipment, rehabilitate a manufacturing plant and pay costs of issuance.

IFA CONTRIBUTION

\$2,800,000 of IFA Volume Cap

VOTING RECORD

Preliminary Bond Resolution, April 20, 2004:

Ayes: 10 Nays: 0 Abstentions: 0 Absent: 3 (Leonard, Rendleman and Valenti) Vacant: 2

SOURCES AND USES OF FUNDS

Sources:		Uses:		
Tax-exempt Refunding Bonds	\$4,500,000	Refunding Escrow (1994 Bonds)	Savanna	\$ 4,500,000
Tax-exempt New Money Bonds	\$2,800,000	Building, Machinery and Equipment	Savanna	\$ 4,792,000
Bank Loan	<u>\$5,200,000</u>	Machinery and Equipment	Franklin Park	\$ 1,075,000
		Machinery and Equipment	Mundelein	\$ 921,000
		Machinery and Equipment	Wheeling	\$ 866,000
		Machinery and Equipment	Green Oaks	\$ 200,000
		Costs of Issuance		<u>\$ 146,000</u>
Total	<u>\$12,500,000</u>	Total		<u>\$12,500,000</u>

JOBS

Current Illinois employment:	240	Projected new jobs:	42
Jobs retained:	N/A	Construction jobs:	0

BUSINESS SUMMARY

Company: MacLean-Fogg Company is an Illinois S-corporation that designs, engineers and manufactures components and assemblies used in a variety of industries. John MacLean, Sr., founded the company in 1925 offering an innovative locknut that extended the lives and reliability of railcars. Through innovative product development and acquisitions, the business has grown to 1,800 employees and 23 locations throughout North America and Europe. MacLean-Fogg is a global leader in high performance fasteners and component systems, forgings, precision machined parts, suspension and transmission components, connectors and insulators for the automotive and truck markets, off-road, recreational and military vehicles, farm equipment and aerospace.

MacLean-Fogg primarily serves the transportation equipment, electrical and telecommunication markets. MacLean Vehicle Systems consists of eight business units with fourteen locations around the world that offers engineering, manufacturing, and supply chain expertise to automobile, truck, recreational, farm, military and aerospace vehicle manufacturers. The Vehicle Systems group is headquartered in Mundelein. Other Illinois facilities are located in Green Oaks, Richmond, Savanna and Wheeling. Product offerings include wheel and axle fasteners, engineered components, power train and chassis parts, and specialty fasteners, metal and plastic parts.

MacLean Power Systems manufactures a comprehensive line of automatic connectors, non-ceramic insulators, fiberglass products, line hardware, fabrications, grounding products and tools available to electrical and telecommunications utilities. The group is headquartered in Franklin Park, Illinois and operates three other facilities in the US and one in Montreal, Canada.

Borrower
Financials:

Audited financial statements for 2001 and 2002 and interim financial statements for 2003. Projections for 2004, 2005 and 2006 prepared by staff. (Dollars in 000s.)

	Year Ended December 31			Year Ending December 31		
	2001	2002	2003	2004	2005	2006
Income statement:						
Sales	\$316,461	\$334,258	\$332,210	\$338,854	\$345,631	\$352,544
Net Income Before						
Extraordinary Loss	5,528	5,202	4,473	5,681	5,391	4,638
Net income	5,528	5,202	(2,327)	5,681	5,391	4,638
EBITDA	28,704	29,298	22,425	31,391	32,325	32,971
Balance sheet:						
Current Assets	86,292	93,783	135,040	136,128	143,514	152,070
PP&E-Net	78,180	82,120	79,055	81,450	81,998	82,272
Other Assets	36,596	40,392	48,020	48,980	49,960	50,959
Total	201,068	216,295	262,115	266,558	275,472	285,301
Current Liabilities	49,414	57,567	115,871	114,246	125,130	138,739
Long Term Debt	85,900	86,845	75,458	78,947	74,525	68,566
Other Liabilities	2,338	2,358	2,639	2,945	3,240	3,564
Minority Interest	9,160	20,140	22,713	22,713	22,713	22,713
Equity	54,256	49,385	45,434	47,707	49,864	51,719
Total	201,098	216,295	262,115	266,558	275,472	285,301
Ratios:						
Debt coverage	1.86x	1.79x	1.69x	1.70x	2.16x	2.19x
Current ratio	1.75	1.63	1.17	1.19	1.15	1.10
LT Debt to equity	1.58	1.76	1.66	1.65	1.49	1.33

MacLean-Fogg Company and Subsidiaries

Page 3

Discussion: MacLean-Fogg has enjoyed rapid growth and 18 consecutive years of operating profitability because of its success in developing new products through innovation and acquisitions to meet customer needs. The company recorded a loss in 2003 due to a \$6.8 million extraordinary charge taken on the sale of two divisions, consolidation charges and acquisition costs. After adjusting for the noncash charge, debt service coverage has remained solid at 1.69 times in 2003. The forecast assumes 2% growth in revenues and operating expenses and issuance of the new debt by June 30, 2004. The proposed borrowing will have a modest impact on MacLean-Fogg's finances.

FINANCING SUMMARY

Bond: Tax-Exempt and Taxable Industrial Development Bond to be placed by Banc One Capital Markets
Security: Letter of credit to be provided by Bank of America.
Maturity: 25 years

PROJECT SUMMARY

Bond proceeds will be used to refinance outstanding City of Savanna Industrial Development Bonds Series 1994C that financed a plant in Savanna, Illinois and to finance new machinery and equipment and real estate for the following five divisions and affiliates: 1) MacLean Fasteners, LLC in Mundelein (Lake Co.), 2) MacLean Molded Components, Wheeling (Cook Co.), 3) MacLean Power, LLC in Franklin Park (Cook Co.), 4) Dynalink in Green Oaks (Lake Co.) and 5) Metform, LLC in Savanna (Carroll Co.). Bond counsel believes that about \$3.5 million of costs for real estate, machinery and equipment will be eligible for tax-exempt financing, with the remaining \$4.5 million to be financed with a taxable industrial development bond. Estimated project costs are as follows:

Refinancing	\$4,500,000
New Machinery & Equipment	7,637,000
Rehabilitation	<u>217,000</u>
Total:	\$12,354,000

ECONOMIC DISCLOSURE STATEMENT

Applicant: MacLean-Fogg Company and Subsidiaries (Contact: Mr. Edward J. Ashton, Treasurer, 1000 Allanson Road, Mundelein, Illinois 60060; Telephone: (847) 837-3544)

Project name: MacLean-Fogg Company Refunding Bond and Development

- Location:
- 1) MacLean Fasteners, 1000 Allanson Road, Mundelein (Lake Co.), Illinois 60060
 - 2) MacLean Molded Components, LLC, 410 Mercantile Court, Wheeling (Cook Co.), Illinois 60090
 - 3) MacLean Power LLC, 1141 Addison Street, Franklin Park (Cook Co.), Illinois 60131
 - 4) Dynalink, 13820 West Polo Trail Drive, Green Oaks (Lake Co.), Illinois 60045
 - 5) Metform LLC, 2551 Wacker Road, Savanna (Cook Co.), Illinois 61074

Organization: Illinois S-Corporation

Ownership:	Barry MacLean	1000 Allanson Road, Mundelein	26.675%
	Mary Ann MacLean	Same as above	0.542%
	1987 Children's Trust	Same as above	10.918%
	1998 Children's Trust	Same as above	28.065%
	Duncan MacLean	Same as above	5.762%
	Gillian MacLean	Same as above	5.762%
	Adrian MacLean	Same as above	5.762%
	Elizabeth Larned	Same as above	5.762%
	Margaret MacLean	Same as above	5.762%
	David MacLean	Same as above	5.762%

PROFESSIONAL AND FINANCIAL

Corporate and Bond Counsel:	Winston & Strawn	Chicago, IL	Daniel McManus
Placement Agent	Banc One Capital Markets	Chicago, IL	Greg Pinter
LOC Bank	Bank of America	Chicago, IL	Adam Goettsche
Consultant	NexGen Advisors LLC	Chicago, IL	Michael Laube
Accountant:	PriceWaterhouseCoopers	Chicago, IL	
Issuer's Counsel:	Freeborn & Peters LLP	Chicago, IL	Verne Kowal

LEGISLATIVE DISTRICTS

	<u>Mundelein</u>	<u>Wheeling & Green Oaks</u>	<u>Franklin Park</u>	<u>Savanna</u>
Congressional:	8-Phillip Crane	10-Mark Steven Kirk	5-Rahn Emmanuel	16-Don Manzullo
State Senate:	26-William Peterson	30-Terry Link	39-Don Harmon	36-Denny Jacobs
State House:	51-Ed Sullivan, Jr.	39-Kathleen Ryq	77-Anglo Saviano	71-Michael Boland

Illinois Finance Authority
Memorandum

To: IFA Board of Directors
From: Sharnell Curtis-Martin
Date: May 18, 2004
Re: Overview Memo for Search Developmental Center
IFA Project: N-NP-TE-CD-404

Borrower: Search Developmental Center

Location(s): Multiple locations in Chicago, Morton Grove, Mt. Prospect and Skokie

Principal Project Contact: Mr. John Lipscomb, Executive Director

Board Action Requested: Final Bond Resolution

Amount: \$5,600,000

Project Type: Not-For-Profit Bonds

IFA Benefits:

- Conduit Tax-Exempt Bonds
- Interest rate savings estimate is approximately \$300,000 compared to existing financing.

IFA Fees:

- Application Fee of \$1,000
- Bond Issuance Fee of \$29,200

Structure/Ratings:

- Direct Pay Letter of Credit from Bank One
- 7-day Variable Rate Demand Bonds
- 20 year maturity
- Moody's Aa2/VMIG1

Recommendation:

- Staff recommends approval

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY**

Project: Search Developmental Center

STATISTICS

Deal Number:	N-NP-TE-CD-404	Amount:	\$5,600,000
Type:	Not-For-Profit Bond	PA:	Sharnell Curtis-Martin
Location:	Various	Tax ID:	23-7058758
SIC Code:	8322	Est. fee:	\$29,200

BOARD ACTION

Final Bond Resolution	Staff recommends approval
Conduit 501(c)(3) Revenue Bonds	No extraordinary conditions
No IFA funds at risk	

PURPOSE

Bond proceeds will be used to refinance existing conventional debt and to pay certain bond issuance costs.

VOLUME CAP

Volume Cap is not required for 501(c)(3) projects.

VOTING RECORD

Preliminary Bond Resolution: April 20, 2004

Ayes:	10	
Nays:	0	
Absent:	3	(Leonard, Rendleman, Valenti)
Abstentions:	0	
Vacancies:	2	

SOURCES AND USES OF FUNDS

Sources:	IFA Bond	\$5,600,000	Uses:	Refinancing/Reimbursement	\$5,470,000
	Equity	<u>20,000</u>		Bond Issuance Costs	<u>150,000</u>
	Total Sources	<u>\$5,620,000</u>		Total Uses	<u>\$5,620,000</u>

JOBS

Current employment:	111	Projected new jobs:	N/A
Jobs retained:	N/A	Construction jobs:	N/A

BUSINESS SUMMARY

Background: Search Developmental Center ("Search" or the "Applicant") was incorporated in 1968 as 501(c)(3) organization and has been operating in Chicago and northern suburbs for 35 years. Search's mission is to creating opportunities for persons with developmental disabilities and their families. The management team consists of John Lipscomb as the Executive Director and CFO and Donna Catalano as Chief Operations Officer.

Description: The Applicant provides program services including: Adult Day Training, Residential Services and Community Employment Services, Community Recreation and Healthcare Programs.

Currently, 377 adults with developmental disabilities receive quality care that fosters personal growth and self-respect. Services are provided at 29 various program locations throughout Chicago, Morton Grove, Mt. Prospect, Skokie, Northbrook, and Waukegan.

Remarks: Search is licensed to operate by the Illinois Department of Human Services Department of Developmental Disabilities. This contract generates approximately 73% of program revenue. Non-governmental fees for services, investment income and donations account for the remaining support and revenues.

Financials: Audited Financial Statements 6/30/01 – 6/30/03
Internally prepared projections 6/30/04 – 6/30/06

	Year Ended June 30			Year Ending June 30		
	2001	2002	2003	2004	2005	2006
	(Dollars in 000's)					
Income statement:						
Total Support and Revenues	\$8,494	\$9,081	\$9,932	\$10,525	\$10,788	\$11,004
Change in Net Assets	273	287	345	357	341	360
Balance sheet:						
Current assets	\$2,780	\$3,621	\$3,902	\$3,975	\$4,436	\$4,925
PP&E	4,135	4,338	6,008	6,681	6,399	6,104
Other assets	238	259	239	0	0	0
Total assets	<u>7,153</u>	<u>8,218</u>	<u>10,149</u>	<u>10,656</u>	<u>10,835</u>	<u>11,029</u>
Current liabilities	1,921	1,953	2,397	1,357	1,385	1,419
Non Current liabilities	2,565	3,312	4,454	5,245	5,055	4,855
Equity	<u>2,667</u>	<u>2,953</u>	<u>3,298</u>	<u>4,054</u>	<u>4,396</u>	<u>4,755</u>
Total liabilities/Net Assets	<u>\$7,153</u>	<u>\$8,218</u>	<u>\$10,149</u>	<u>\$10,656</u>	<u>\$10,836</u>	<u>\$11,029</u>
Ratios:						
Debt coverage	1.36x	1.35x	1.21x	1.46x	1.48x	1.51x
Current ratio	1.45	1.85	1.63	2.93	3.20	3.47
Debt/equity	1.04	1.20	1.48	1.34	1.20	1.06

Discussion: Search has a \$1 million line of credit with Bank One for working capital needs. The line of credit presently has no outstanding balance.

FINANCING SUMMARY

Security: Direct Pay Letter of Credit from Bank One, N.A.
Structure: 7-day Variable Rate Demand Bonds
Maturity: 20 years
Rating: Moody's Aa2/VMIG1
Interest Savings: Approximately \$300,000 annually compared to existing financing.

PROJECT SUMMARY

Bond proceeds will be used to refinance existing debt for Search owned facilities located in Chicago, Morton Grove, Mt. Prospect and Skokie. The addresses are listed as follows:

8556 N. Central Park, Skokie, Illinois, 60076 (Cook County)
2013 Pin Oak, Mt. Prospect, Illinois, 60056 (Cook County)
1007 N. Sycamore, Mt. Prospect, Illinois, 60056 (Cook County)
908 S. Golfview, Mt. Prospect, Illinois, 60056 (Cook County)
5141 N. Coyle, Skokie, Illinois, 60077 (Cook County)
8119 N. Karlov, Skokie, Illinois, 60076 (Cook County)
5307 W. Church, Skokie, Illinois, 60077 (Cook County)
8248 N. Gross Point Road, Morton Grove, Illinois, 60053 (Cook County)
5000 N. New England, Chicago, Illinois, 60656 (Cook County)
4000 Colfax, Skokie, Illinois, 60076 (Cook County)
7716 Laramie Avenue, Skokie, Illinois, 60077 (Cook County)
7721 Kildare, Skokie, Illinois, 60076 (Cook County)
4505 N. Concord Lane, Skokie, Illinois, 60076 (Cook County)
8611 N. Keeler, Skokie, Illinois, 60076 (Cook County)
4255 W. Enfield, Skokie, Illinois, 60076 (Cook County)
9007 Austin Avenue, Morton Grove, Illinois, 60053 (Cook County)
8600 N. Hamlin, Skokie, Illinois, 60076 (Cook County)
4930 N. Lincoln Avenue, Chicago, Illinois, 60625 (Cook County)

Project costs are estimated as follows:

Refinancing(s)	\$4,745,000
Reimbursement	365,000
Contingencies	<u>360,000</u>
Total Project Costs	<u>\$5,470,000</u>

ECONOMIC DISCLOSURE STATEMENT

Applicant: Search Developmental Center
1925 North Clybourn Avenue, Chicago, IL 60614 (Cook County)
Mr. John Lipscomb, Executive Director

Project name: Search Developmental Center Refinancing Project

Location: Various locations within Chicago, Morton Grove, Mt. Prospect and Skokie.

Organization: 501(c)(3) Not-For-Profit Corporation

State: Illinois

Board of Directors: Alan Nadolna, President
Ray Covyreau, Vice-President
LaVon Green, Secretary
Brett Johnson, Treasurer

Sue Averill
Beverly Covyreau
Larry Luchowski
Bonnie Newett

Michael Newett
Dane Shepherd
Inez Shepherd

Land Sellers: Not Applicable

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Ungaretti and Harris	Chicago	Julie Seymour
Accountant:	Chris G. Cosmas, CPA	Chicago	Chris G. Cosmas
Bond Counsel:	Ice Miller Donadio and Ryan	Chicago	Tom Smith
LOC Bank:	Bank One, N.A.	Chicago	Tim Ruby
LOC Bank's Counsel:	Jones Day	Chicago	Eric Reeves
Underwriter:	Banc One Capital Markets, Inc.	Chicago	Kristyn Harrell
Underwriter's Counsel:	Ice Miller Donadio and Ryan	Chicago	Tom Smith
Issuer's Counsel:	Law Offices of Kevin Cahill	Chicago	Kevin Cahill
Trustee:	J. P. Morgan Trust	Chicago	Rodney Harrington
Rating Agency:	Moody's Investor Services	New York	Joann Hempel

LEGISLATIVE DISTRICTS

See attached list.

Properties to be Refinanced by Bond Issuance

	Property Address	Congress	IL Senate	IL Rep	Village/City Clerk
1.	8556 N. Central Park Skokie, IL 60076-2302	9	9	17	Marlene Williams 5127 Oakton St. Skokie, IL 60077 847-673-0500
2.	2013 Pin Oak Mt. Prospect, IL 60056-1847	10	29	57	Velma Lowe 100 S. Emerson St. Mount Prospect, IL 60056 847-392-6000
3.	1007 N. Sycamore Mt. Prospect, IL 60056-1535	10	27	53	Velma Lowe
4.	908 S. Golfview Mt. Prospect, 60056-4333	6	33	66	Velma Lowe
5.	5141 N. Coyle Skokie, IL 60077-3402	9	8	15	Marlene Williams
6.	8119 N. Karlov Skokie, IL 60076-3225	9	8	16	Marlene Williams
7.	5307 W. Church Skokie, IL 60077-1128	9	9	17	Marlene Williams
8.	8248 N. Gross Point Morton Grove, IL 60053-3536	9	8	16	Ralph Czerwinski 6101 Capulina Ave. Morton Grove, IL 60053 847-965-4100
9.	5000 N. New England Chicago, IL 60656-3703	5	10	20	James Laski 121 N. LaSalle St. #107 Chicago, IL 60602 312-744-6861
10.	4000 Colfax Skokie, IL 60076-1102	9	9	17	Marlene Williams
11.	7716 Laramie Ave. Skokie, IL 60077-2837	9	8	16	Marlene Williams
12.	7721 Kildare Skokie, IL 60076-3605	9	8	16	Marlene Williams
13.	4505 N. Concord Lane Skokie, IL 60076-2607	9	8	16	Marlene Williams
14.	8611 N. Keeler Skokie, IL 60076-2013	9	9	17	Marlene Williams
15.	4255 W. Enfield Skokie, IL 60076-1950	9	9	17	Marlene Williams
16.	9007 Austin Ave. Morton Grove, IL 60053-2407	9	9	17	Ralph Czerwinski
17.	8600 N. Hamlin Skokie, IL 60076-2210	9	9	17	Marlene Williams
18.	4930 N. Lincoln Avenue Chicago, IL 60625-2610	5	7	13	James Laski

ILLINOIS FINANCE AUTHORITY

Memorandum

To: IFA Board of Directors
From : Jim Senica, Senior Program Administrator
Date: May 18, 2004
Re: Overview memo for Hopedale Medical Complex

- **Borrower/Project Name:** Hopedale Medical Complex
- **Location:** Hopedale (Tazewell County)
- **Principal Project Contact:** Mark F. Rossi, Chief Operating Officer
- **Board Action Requested:** Final approval to issue not-for-profit lease
- **Amount:** \$1,400,000
- **Project Type:** Hospital
- **IFA Benefits:**
 - Conduit Tax-Exempt Lease – no direct IFA or State funds at risk
 - New Money Lease: Convey tax-exempt status
- **IFA Fees:**
 - Application fee: \$1,000
 - One-time, upfront closing fee: \$7,280
- **Structure:**
 - Not-for-profit lease issued by IFA will be purchased by Seimens Financial Services, Inc.
 - Tax-exempt rate to Hopedale Medical Complex set by Seimens Financial Services, Inc. at 5-year U.S. Treasury Note yield in effect one week prior to lease commencement
 - Maturity not to exceed 5 years

**ILLINOIS DEVELOPMENT FINANCE AUTHORITY
BOARD SUMMARY
May 18, 2004**

Deal: Hopedale Medical Complex

STATISTICS

Deal Number:	N-NP-TE-CD-406	Amount:	\$1,400,000
Type:	Not-for-Profit Lease	PA:	Jim Senica
Location:	Hopedale	Tax ID:	37-0808925
		Est fee:	\$7,280

BOARD ACTION

Final Presentation to Board	Staff recommends approval
Conduit 501(c)(3) lease	Private Placement – Siemens Financial Services, Inc.
No IFA funds at risk	

PURPOSE

Acquisition of a Siemens CT Scanner.

VOLUME CAP

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

VOTING RECORD

Voting record from preliminary Board presentation on April 20, 2004:

Ayes: 10	Nays: 0	Abstentions: 0
Absent: 3	(Edward Leonard, Joseph Valenti & Jil Rendleman)	

SOURCES AND USES OF FUNDS

Sources:	IDFA Lease	<u>\$1,400,000</u>	Uses: Project Costs	<u>\$1,400,000</u>
	Total	<u>\$1,400,000</u>	Total	<u>\$1,400,000</u>

JOBS

Current employment:	260	Projected new jobs:	10
Jobs retained:	N/A	Construction jobs:	N/A

BUSINESS SUMMARY

Background: The Hopedale Medical Complex was established in 1955 when the residents of Hopedale, a community of 945 residents located 25 miles from Peoria, agreed with village physician, Lawrence J. Rossi, M.D. to build a much needed small hospital. Constructed entirely with private funds raised through the sale of bonds to local area citizens, the hospital operates as an Illinois 501 (c)(3) not-for-profit corporation.

Description: The Hopedale Medical Complex includes an acute general hospital offering such services as surgery, emergency treatment, coronary care, radiology, physical therapy, and laboratory activities. The full time active medical staff includes physicians specializing in general practice, surgery, anesthesiology and radiology. Additionally, patients have available to them the services of more than 30 consulting staff physicians from the surrounding area with specialties in pediatrics, oncology, cardiology, urology, ophthalmology, obstetrics/gynecology, internal medicine and orthopedics. Emergency room services are available 24 hours per day.

Remarks: In addition to the hospital referred to above, the Hopedale Medical Complex also includes Hopedale Nursing Home, Hopedale Commons (an assisted & independent living center), Hopedale Wellness Center and 3 satellite physicians offices. The service area for the Hopedale Medical Complex primarily comprises the thirty square mile region surrounding Hopedale with a population of approximately 30,000 residents, many of who are rural and elderly.

Financials: Audited Financial Statements 2000 through 2003

	<u>Year Ended June 30</u>			
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
	(Dollars in 000's)			
Income Statement				
Support and revenues	15,458	14,379	15,307	16,768
Revenue over expenses	(590)	(1,687)	709	260
Balance Sheet				
Current assets	6,163	4,110	4,643	4,162
PP &E	10,835	12,230	12,606	11,917
Other assets	<u>2,370</u>	<u>653</u>	<u>692</u>	<u>832</u>
Total assets	<u>19,368</u>	<u>16,993</u>	<u>17,941</u>	<u>16,911</u>
Current liabilities	3,729	3,004	3,736	3,056
Debt	10,151	10,199	9,706	9,111
Net assets	<u>5,488</u>	<u>3,790</u>	<u>4,499</u>	<u>4,744</u>
Total liabilities & net assets	<u>19,368</u>	<u>16,993</u>	<u>17,941</u>	<u>16,911</u>

Ratios

Debt service coverage	0.90	0.30	2.50	2.20
Current ratio	1.65	1.37	1.24	1.36
Debt/net assets	2.08	2.68	2.27	2.05

Discussion: Hopedale Medical Complex has experienced increasing revenues in years 2002 and 2003, from \$14.379 million in FY 2001 to \$15,307 million in FY 2002 to \$16.768 million in FY 2003. More importantly, bottom line results reveal a return to profitability with net incomes of \$709,000 in FY 2002 and \$260,000 in FY 2003 after back-to-back losses in years 2000 and 2001.

FINANCING SUMMARY

Security: First security interest on subject equipment acquired (IFA will be named as a co-beneficiary with Siemens in an insurance policy providing liability coverage relating to the operation of the CT scanner.)

Structure: Installment purchase agreement - maturity not to exceed 5 years

Purchaser: Siemens Financial

Interest Rate: 5-year U.S. Treasury Note yield in effect one week prior to lease commencement

PROJECT SUMMARY

Lease proceeds will be used to finance the acquisition of a Siemens sensation (multi-slice) 16, Ultrasound, PACA and Mammomat CT scanner to be installed in the Hopedale Hospital building located at 107 Tremont Street, Hopedale, Illinois.

Project costs are estimated as follows:

Acquisition of Equipment	<u>\$1,400,000</u>
Total	<u>\$1,400,000</u>

The new CT scanner will replace Hopedale Hospital's outdated CT scanner with one offering current technology to better serve their patients.

ECONOMIC DISCLOSURE STATEMENT

Project name: CT Scanner – Siemens

Location: 107 Tremont Street Hopedale, Illinois 61747 (Tazewell County)

Applicant: Hopedale Medical Complex

Organization: 501 (c)(3) Not-for-Profit Corporation

State: Illinois

Board of Directors: Neil Alford, Jr. Michael L. McLaughlin Tom Hieser
David Thornburg Joe Serangeli William Henry Allen
Don Davis, Jr.

PROFESSIONAL & FINANCIAL

Accountant:	McGladrey & Pullen	Burlington, IA	
Lease Purchaser:	Siemens Financial Services, Inc.	Iselin, NJ	Lisa Grieco
Bond Counsel:	Evans, Froehlich & Beth	Champaign, IL	Ken Beth
Issuer's Counsel:	Hart, Southworth & Witsman	Springfield, IL	Sam Witsman

LEGISLATIVE DISTRICTS

Congressional:	18 – Ray LaHood
State Senate	44 – Bill Brady
State House:	87 – Bill Mitchell

Illinois Finance Authority
Memorandum

To: IFA Board of Directors
From: Sharnell Curtis-Martin
Date: May 18, 2004
Re: Overview Memo for Kishwaukee Family YMCA
IFA Project: N-NP-TE-CD-401

Borrower: Kishwaukee Family YMCA

Location(s): Sycamore, IL

Principal Project Contact: Ms. Sandy Stinson, Executive Director

Board Action Requested: Final Bond Resolution

Amount: \$1,000,000 (not-to-exceed amount)

Project Type: Not-For-Profit Bonds

IFA Benefits:

- Conduit Tax-Exempt Bonds
- Interest rate savings estimate is approximately \$5,200 annually

IFA Fees:

- Application Fee of \$1,000
- Bond Issuance Fee of \$4,950

Structure/Ratings:

- Direct purchase by The National Bank & Trust Company of Sycamore
- 4.70% fixed rate for 10 years and adjusted every five years thereafter.
- 20 year maturity

Recommendation:

- Staff recommends approval

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY**

**Deal: Kishwaukee Family Young Men's Christian Association, Inc.
(Kishwaukee Family YMCA)**

STATISTICS

Deal Number:	N-NP-TE-CD-401	Amount:	\$1,000,000 (not to exceed amount)
Type:	Not-For-Profit Bond	PA:	Sharnell Curtis-Martin
Location:	Sycamore	Tax ID:	36-2379643
SIC Code:	8641	Est. fee:	\$4,950

BOARD ACTION

Final Bond Resolution	Staff recommends approval
501(c)(3) Bond Financing	Direct Purchase by The National Bank & Trust Company of Sycamore
No IFA funds at risk	No extraordinary conditions

PURPOSE

Bond proceeds will be used to finance new construction, to refinance an existing mortgage and to pay certain bond issuance costs.

VOLUME CAP

Volume Cap is not required for 501(c)(3) bond financing.

VOTING RECORD

Preliminary Bond Resolution: February 17, 2004

Ayes:	8	Nays:	0
Abstentions:	0	Absent:	1 (Valenti)
Vacancies:	6		

SOURCES AND USES OF FUNDS

Sources:	IFA Bond	<u>\$950,000</u>	Uses:	Project Costs	\$560,000
				Refinancing	370,000
				Bond Issuance Costs	<u>20,000</u>
	Total	<u>\$950,000</u>		Total	<u>\$950,000</u>

JOBS

Current employment:	111	Projected new jobs:	16
Jobs retained:	N/A	Construction jobs:	50

BUSINESS SUMMARY

Background: Kishwaukee Family YMCA ("YMCA") is an Illinois 501(c)(3) not-for-profit corporation formed in 1957. Relocated to its present location in 1970, the facility located on Bethany Road in Sycamore provides more than 15 different programs including: Big Brothers/Big Sisters, Girl Scouts, Boy Scouts, Adult and Children Day Care, Summer Day Camp and a Health and Wellness Center that is open to the public.

The YMCA's service area is not limited to DeKalb County. Residents from DuPage, Ogle, Kane and Boone counties are included among the 7,500 members and program participants.

Description: The YMCA is refinancing an existing mortgage and constructing a 7,000 square foot expansion that will provide new facilities for the growth of its programs, in particular, its day care facility and wellness center.

The YMCA has a staff of 130 full-time and part-time employees and volunteers.

Financials: Audited Financial Statements 12/31/01 – 12/31/03
Internally Prepared Financial Projections 12/31/04 – 12/31/06

	Year Ended Dec 31			Year Ending Dec. 31		
	2001	2002	2003	2004	2005	2006
	(Dollars in 000's)					
Income statement:						
Total Support and Revenue	\$1,834	\$1,621	\$1,585	\$1,597	\$1,681	\$1,743
Change in Net Assets	239	(78)	17	43	49	45
*EBIDA	474	151	241	267	273	269
Balance sheet:						
Current assets	\$51	\$88	\$36	\$128	\$135	138
PP&E	4,741	4,590	4,413	4,961	4,886	4,811
Total assets	<u>4,792</u>	<u>4,678</u>	<u>4,449</u>	<u>5,089</u>	<u>5,021</u>	<u>4,949</u>
Current liabilities	13	15	19	16	16	16
Non Current liabilities	645	607	393	890	872	853
Net Assets	4,134	4,056	4,037	4,183	4,133	4,080
Total liabilities/Net Assets	<u>\$4,792</u>	<u>\$4,679</u>	<u>\$4,449</u>	<u>\$5,089</u>	<u>\$5,021</u>	<u>\$4,949</u>
Ratios:						
Debt coverage	5.64x	1.80x	2.44x	2.57x	2.63x	2.59x
Current ratio	3.92	5.87	1.89	8.00	8.44	8.63
Debt/equity	0.17	0.16	0.11	0.23	0.23	0.22

*Earnings Before Interest Depreciation and Amortization

Discussion: In 2001, the YMCA received a one time Illinois First Grant in the amount of \$300,000 to assist with the completion of the new pool facility. In 2002, the YMCA experienced a decrease in public support and contributions of approximately \$95,000.

FINANCING SUMMARY

Security: The National Bank & Trust Company will be secured by a blanket first mortgage and first security interest as "investor/lender".
Structure: 4.70% fixed rate for 10 years and adjusted every five years thereafter.
Maturity: 20-year maturity with 25-year amortization

PROJECT SUMMARY

Bond proceeds will be used to finance a 7,000 square foot expansion and refinance an existing mortgage for a facility located at 2500 Bethany Road West in Sycamore, Illinois (DeKalb County). New project costs are estimated as follows:

Construction	\$520,000
Architectural/Engineering	40,000
Total Project Costs	<u>\$560,000</u>

ECONOMIC DISCLOSURE STATEMENT

Applicant: Kishwaukee Family Young Men's Christian Association Inc.
2500 Bethany Road West, Sycamore, IL 60178 (DeKalb County)
Project name: Kishwaukee Family YMCA Expansion
Project location: 2500 Bethany Road West, Sycamore, IL 60178 (DeKalb County)
Organization: 501(c)(3) Not-For-Profit Corporation
State: Illinois
Board of Directors: Tim Beasley Liz Bockman
Larry Bolles James Buck
Kim Feczko Julie Fritz-Doyle
Warren Holdridge Cathie Johnson
Christine Lamb Mark Leach
Ahmed Rifai Sally Stevens
Ted Strack Sandy Stinson

PROFESSIONAL & FINANCIAL

Accountant:	J. Scott Chilton	DeKalb	J. Scott Chilton
Bond Counsel:	Ice Miller	Chicago	Tom Smith
Bank:	National Bank & Trust Company	Sycamore	Ted Strack
Bank Counsel:	Ice Miller	Chicago	Tom Smith
Issuer's Counsel:	Pugh Jones Johnson and Quandt	Chicago	Scott Bremer

LEGISLATIVE DISTRICTS

Congressional: 14 - J. Dennis Hastert
State Senate: 35 - J. Bradley Burzynski
State House: 70 - David A. Wirsing

ILLINOIS FINANCE AUTHORITY

MEMORANDUM

To: IFA Board of Directors

From: Rich Frampton

Date: May 18, 2004

Re: Overview Memo for DePaul University
(DePaul University)
E-PC-TE-CD-404

- **Borrower/Project Name:** DePaul University
- **Location:** two locations in Chicago (Cook Co.)
- **Principal Project Contact:** David Dabney, Treasurer
- **Board Action Requested:** Final Bond Resolution (first time project presented to the IFA Board)
- **Amount:** not to exceed \$56.0 million
 - **Uses:**
 - *\$52.0 million Tax-Exempt Series 2004C:* DePaul will exercise an option to acquire dormitory facilities developed, financed, and owned by MJH Educational Foundation, a 501(c)(3) charitable foundation. These facilities are currently leased to DePaul pursuant to a 1999 development contract between MJH and DePaul. Facilities located at Lincoln Park campus in Chicago.
 - *\$4.0 million Taxable Series 2004D:* DePaul will exercise an option under a real estate agreement made and entered into as of 3/7/2003. Current operations would cease and the existing parking facilities demolished prior to DePaul acquiring the facilities. The subject facilities are located at 320-322 South Wabash; 324-328 South Wabash, and 18 East Van Buren in Chicago.
- **Project Type:** 501(c)(3) Revenue Bonds

- **IFA Benefits:**
 - **Conduit Tax-Exempt and Taxable Bonds** – no direct IFA or State funds at risk
 - **New Money Bonds:**
 - Series 2004C Bonds (*Tax-Exempt*): convey tax-exempt status
 - Series 2004D Bonds (*Taxable*): finance costs that do not qualify for Tax-Exempt financing; while leveraging existing documentation and underwriting for Tax-Exempt Series to facilitate a relatively low-cost taxable issue

- **IFA Fees:**
 - One-time, upfront closing fee estimated at \$110,000

- **Structure/Ratings:**
 - Bonds to be sold directly based on DePaul's credit rating
 - **Ratings** for IFA Series 2004 Bonds issued 3/25/2004 (expected to be reaffirmed prior to closing)
 - **Moody's:** Baa1
 - **Fitch:** A-
 - **Current and estimated rates:** Bonds will be sold with term and serial bonds maturing over 20 years. The final structure will depend on prevailing market rates at pricing.

- **Recommendations/Conditions:**
 - Staff recommends approval – subject to the following condition:
 - **Extraordinary Condition:** Because of sensitivity to prospective changes in market interest rates, DePaul has requested expedited approval of this Final Bond Resolution to assure closing by mid-June. IFA Board Approval of this Final Bond Resolution will be subject to the following condition:
 - If any adverse written or oral comments are presented at the May 26th TEFRA Hearing, this transaction must return to the IFA Board for further consideration.
 - **Note:** this project was granted a special exception to IFA's TEFRA policy, since the new, \$52M Tax-Exempt Series 2004C Bonds will not finance any new construction that will require building permits or City of Chicago action.

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY**

Project: DePaul University

STATISTICS

IFA Project #:	E-PC-TE-CD-404	Amount:	\$56,000,000 (not-to-exceed amount)
Type:	Not-for-Profit	IFA Staff:	Rich Frampton and Steve Trout
Locations:	Chicago	Est. fee:	\$110,000
SIC Code:	8221		

BOARD ACTION

Final Bond Resolution
Staff recommends approval
Conduit 501(c)(3) Revenue Tax-Exempt and Taxable Revenue Bonds
No IFA funds at risk

Extraordinary Condition: Because of sensitivity to prospective changes in market interest rates, DePaul has requested expedited approval of this Final Bond Resolution to assure closing by mid-June. IFA Board Approval of this Final Bond Resolution will be subject to the following condition:

- If any adverse written or oral comments are recorded at the May 26th TEFRA Hearing, this transaction must return to the IFA Board for further consideration.
- Note: this project was granted a special exception to IFA's TEFRA policy, since the new, \$52M Tax-Exempt Series 2004C Bonds will not finance any new construction that will require building permits or City of Chicago action.

PURPOSE

Acquisition financing of residential facilities pursuant to an option between MJH Educational Assistance Illinois III LLC ("MJH"). MJH is leasing the buildings to DePaul. DePaul will be exercising its option to purchase the buildings and cancel the MJH land lease. As a result of this bond issue, approximately \$51 million of Series 1999 IFA (IEFA) Bonds issued on behalf of MJH Educational Assistance Illinois III LLC will be redeemed.

Acquisition financing of land pursuant to an option to purchase. Ultimately, this land will be used to construct a new building with classrooms and administrative offices. A public surface parking lot will remain in operation up through that time.

VOLUME CAP

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

VOTING RECORD

None. This is the first time this project has been presented to the IFA Board.

SOURCES AND USES OF FUNDS

Sources:	IFA Tax-Exempt Bonds (Series 2004C) \$52,000,000	Uses:	Project Costs	\$54,380,000
	IFA Taxable Bonds (Series 2004D) <u>4,000,000</u>		Issuance Costs	<u>1,620,000</u>
	Total <u>\$56,000,000</u>		Total	<u>56,000,000</u>

JOBS

Current employment:	2,600	Projected new jobs:	NA
Jobs retained:	N/A	Construction jobs:	NA

BUSINESS SUMMARY

Background: DePaul University is a 501(c)(3) organization incorporated under Illinois law. DePaul's original predecessor was founded in 1898 by the Congregation of the Mission and was known as St. Vincent's College. A list of the University's Board of Trustees is attached.

Description: The University's mission is to provide education in liberal and professional studies. DePaul has evolved into a major urban institution, serving metropolitan Chicago. The University is the largest Catholic university in the nation and had 23,610 students enrolled for the Fall 2003 semester. The University offers 119 undergraduate degree programs and offers 166 academic and professional graduate degree programs, including seven programs offered by the College of Law.

Fall semester full-time equivalent enrollment has increased 27% over the past 5 years to 18,476 in 2003. Full-time undergraduate and graduate enrollment has grown 36%, while enrollment in part-time undergraduate and graduate programs the law programs has remained relatively flat. Total full- and part-time enrollment for the Fall 2003 semesters was 23,610, a University record. Management believes that DePaul is on track to meet its goal of enrolling 26,000 students by Fall 2006.

The Chicago metropolitan area accounts for 68% of incoming freshmen and over 85% of incoming transfer, graduate and law students for the Fall 2003 semester. Undergraduate applications have increased 56% over the past five years. DePaul accepted 73% of its applicants and 33% of admitted students enrolled for the Fall Semester.

DePaul's core academic and administrative programs are provided at two campuses in Lincoln Park and its Loop campus, located at the corner of Jackson and Wabash avenues.

DePaul recently announced its intent to discontinue operations at Barat College in Lake Forest (acquired in 2001) at the end of the 2003-4 academic year.

Remarks: The proposed project will enable DePaul to purchase dormitories that it currently leases from MJH Educational Assistance Foundation on land owned by the University. DePaul and MJH have an ongoing collaborative relationship under which MJH affiliates develop and manage dormitory properties for DePaul under a land lease. Upon payment of the debt associated with the underlying leases, MJH donates these facilities to DePaul. DePaul may also exercise purchase options throughout each lease term.

All payments relating to the \$99.4 million of outstanding IFA (IEFA) Bonds issued on behalf of MJH are current.

Additionally, DePaul will exercise an option under a real estate agreement executed as of 3/7/2003. As proposed, current operations would cease and the parking facility demolished prior to DePaul

University taking ownership of the subject land. DePaul is currently negotiating an agreement to lease the land (following closing of the Bonds and demolition of the parking garage) back to the current property owner. This property will be used as public surface parking until the time that DePaul decides to build a new classroom and administrative office building on the site.

Financials: Audited Financial Statements, 2001-2003. (Dollars in Millions)

	<u>Year Ended June 30</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Income Statement			
Revenues/Support	\$294	\$332	\$362
Change in Net Assets	12	(8)	16
* EBIDA	32	16	40
Balance sheet:			
Current assets	\$306	\$273	\$308
Net PP&E	311	330	328
Other Assets	4	5	4
Total assets	<u>621</u>	<u>608</u>	<u>640</u>
Current liabilities	105	94	94
LT Debt & Cap. Leases	189	193	207
Other LT Liabilities	50	52	54
Net Assets	<u>277</u>	<u>269</u>	<u>285</u>
Tot Liabs & Net Assets	<u>621</u>	<u>608</u>	<u>640</u>
Ratios:			
Debt Service/Fixed Obligation Coverage	1.46x	0.59x	1.44x
Current ratio	2.92	2.90	3.29
LT Debt/Net Assets	0.78	0.81	0.82

* Earnings Before Interest, Depreciation and Amortization

Discussion: The University's major revenue sources are tuition and fees (78%), auxiliary income [room, dining, parking, entertainment and other services] (10%), government grants (3%), private grants (3%), investment income (3%), and other sources (3%). Revenues increased over 7% per annum over the past 3 years. Growing enrollment and fee increases spurred rapid growth in tuition and fees and auxiliary income, offsetting flat growth in grants, investment income and other sources. DePaul's operating expenses consist of salaries (61%), general (19%), occupancy (10%), depreciation (5%) and other (5%). Operating expenses increased by 7% per year over the period reviewed, primarily because of rapid growth in salaries and benefits.

Realized and unrealized net losses on investments reduced income from operating and non-operating activities (shown above as "Change in Net Assets") by \$33.5 million over the past 3 years. Despite these losses, DePaul's investments totaled \$248.4 million as of June 30, 2003 or 117% of its total indebtedness. Liquidity is excellent and debt burden appears manageable.

DePaul manages its facilities pursuant to a rolling multiyear capital plan. It currently has identified \$65 million in capital projects to be financed from operations, charitable contributions and issuance of debt. The loan agreement for the Series 2000 Bonds, which previously restricted the University from issuing additional indebtedness, was defeased in March 2004 and will facilitate this transaction.

Although the proposed financing will increase DePaul's fixed cashflow obligations by approximately \$1.1 million initially, these bonds issue will help DePaul achieve its long-term

debt strategy by smoothing annual debt service payments while still achieving a total net present value savings over the next 10 years of approximately \$2.1 million. DePaul will be monitoring NPV savings closely. If NPV savings fall to less than \$1.0 million, DePaul may defer this financing until market conditions improve.

FINANCING SUMMARY

Structure: Fixed rate obligations to be sold without credit enhancement. The Bonds will be rated based solely on the rating of DePaul University. Fitch Ratings is expected to rate the Bonds "A-" and Moody's is expected to rate the Bonds "Baa1".
Series 2004C Bonds (Tax-Exempt): for dormitory acquisitions (\$52,000,000)
Series 2004D Bonds (Taxable): for acquisition/demolition of downtown parking garage (\$4,000,000)

Term/

Interest Rate: The Underwriter expects to structure the issue with serial bonds maturing over 20 years. The final configuration of term and serial bonds will depend on prevailing market conditions at pricing.

Security: The Bonds will be secured by the University's general pledge to apply all available unrestricted assets to pay principal and interest on the bonds.

PROJECT SUMMARY

(1) Dormitory Acquisition from MJH Educational Foundation

The proceeds of the Bonds will be loaned to DePaul to: (1) to finance the acquisition of three facilities located at (i) 2330 N. Clifton St. (commonly known as "North Clifton Avenue Deck" or "2332-46 Clifton"), Chicago (Cook County), IL, (ii) 1157 W. Fullerton Ave. (commonly known as "Fullerton & Clifton Residence Hall"), Chicago (Cook County), IL, and (iii) 2311 N. Racine (commonly known as "Belden & Racine Residence Hall" or "1158 W. Belden"), Chicago (Cook County), IL, (2) fund a debt service reserve for the benefit of bondholders, and 3) pay costs of issuance. Proceeds of the Series 2004 Bonds will finance the acquisition of these properties from affiliates of MJH Educational Foundation

(2) Parking Structure Acquisition/Real Estate Exchange Agreement (Series 2004D Taxable Bonds):

DePaul will exercise an option under a real estate agreement made and entered into as of 3/7/2003. Current operations would cease and the existing parking facilities demolished prior to DePaul acquiring the facilities. The subject facilities are located at 320-322 South Wabash; 324-328 South Wabash, and 18 East Van Buren, Chicago (Cook County), IL.

ECONOMIC DISCLOSURE STATEMENT

Applicant/ DePaul University, 55 East Jackson Boulevard, Chicago, Illinois 60604
Contacts: (1) David Dabney, Treasurer, Ph.: 312/362-6715; ddabney@depaul.edu
(2) Peter Harris, Senior Treasury Analyst, Ph.: 312/ 362-8456; pharris@depaul.edu
Project name: DePaul/MJH Dormitory Acquisition Project

Locations: MJH Foundation Dormitory and Parking Structure

- (1) 2330 N. Clifton St. ("North Clifton Avenue Deck" or "2332-46 Clifton"), Chicago (Cook County), IL
- (2) 1157 W. Fullerton Ave. ("Fullerton & Clifton Residence Hall"), Chicago (Cook County), IL
- (3) 2311 N. Racine ("Belden & Racine Residence Hall or "1158 W. Belden"), Chicago (Cook County), IL

Parking Garage Acquisition/Real Estate Exchange Agreement

- (1) 320-322 South Wabash
- (2) 324-328 South Wabash
- (3) 18 East Van Buren

Organization: Illinois 501(c)(3) organization

Board
Membership: *See attached list of Board of Trustees*

Current Land
Owners: (1) MJH Dormitory and Parking Structure: MJH Educational Assistance Illinois III LLC, c/o MJH Educational Foundation, 603 Great Springs Road, Bryn Mawr, PA 19010, ATTN: Mr. Benjamin Noble

(2) Parking Garage Acquisition/Real Estate Exchange Agreement: Wabash-Van Buren Park One, L.L.C., 201 E. Ohio Street, Chicago, IL 60611; Members: Andriyous Youkhana and Layla Youkhana

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	O'Keefe Lyons & Hynes, LLC	Chicago, IL	Daniel Coyne
Bond Counsel:	Chapman and Cutler, LLP	Chicago, IL	Jim Luebchow
Underwriter:	Lehman Brothers	New York, NY,	John Augustine,
		Chicago, IL	Jim Costello
Underwriter Counsel:	Foley & Lardner	Chicago, IL	Chris Knight
Trustee:	US Bank – Corporate Trust Services	Chicago, IL	Grace Gorka
Escrow Agent:	LaSalle Bank National Association	Chicago, IL	Alvita Griffin
Accountant:	KPMG Peat Marwick LLP	Chicago, IL	Stuart Miller
IFA Counsel:	Arnstein & Lehr	Chicago, IL	William Blomquist

LEGISLATIVE DISTRICTS

Congressional:	7	Danny Davis
State Senate:	13	Barack Obama
State House:	26	Lovan "Lou" Jones

DEPAUL UNIVERSITY



Office of the Treasurer
1 East Jackson Boulevard
Chicago, Illinois 60604-2287
312/362-8848
FAX: 312/362-8908

Governance of the University

The governance of the University is two-tiered, consisting of Members and Trustees. The Members of the University are a self-perpetuating body of 15 individuals, which represents the Congregation of the Mission (C.M.), the religious community that sponsors the University. Two-thirds of the Members of the University must be members of the Congregation of the Mission. The Members of the University are empowered to elect the Board of Trustees.

The Board of Trustees has the power to direct and manage the affairs of the University and to elect its officers. The By-Laws of the University provide that the Board of Trustees consist of a number determined by the Members of the University of not less than 45 but no more than 50. Currently, there are 47 Trustees, elected to serve staggered 3 year terms.

The following table presents a list of the Trustees and their principal businesses or professional affiliations as of May 1, 2004:

<u>Name</u>	<u>Affiliation</u>
William L. Bax*	Managing Partner, PricewaterhouseCoopers, LLP (Retired)
William E. Bennett*	
Hon. Anne M. Burke	Justice, Illinois Appellate Court
Martin R. Castro	Partner, Seyfarth Shaw
Gery J. Chico	Special Counsel, Arnstein & Lehr LLP
Frank M. Clark	President, ComEd
Robert A. Clifford	Attorney at Law, Clifford Law Offices
James W. Compton	President and Chief Executive Officer, Chicago Urban League
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Mary A. Dempsey*	Commissioner, Chicago Public Library
James M. Denny*	Retired Vice Chairman of Sears Roebuck
Anne S. Drennan*	
Richard H. Driehaus	President, Driehaus Capital Management Inc.
Sue L. Gin*	Chairman, Flying Food Group Inc.
Jerome D. Girsch	Senior Vice President-Development , LKQ Corporation (Retired)
Robert E. Goldberg	Chicago Board of Trade
Rev. Paul L. Golden, C.M.	Director, Vincentian Canonical Services
Howard S. Goss*	Retired Chairman of the Board, Transco Inc.
Jack M. Greenberg *	Chairman & CEO, McDonald's Corporation (Retired)
Richard A. Hanson	Principal, Mesa Development LLC
William E. Hay	President, William E. Hay & Co.
Sondra A. Healy	Chairman of the Board, Turtle Wax Inc.
Richard A. Heise, Sr.	Heise & Company
Carrie J. Hightman	President, SBC Ameritech Illinois
James Jenness	Chief Executive Officer, Integrated Merchandising Systems LLC
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C.M.

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Lawrence C. Russell
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Managing Director, The Firm
President, Association of the Miraculous Medal
Partner, Jenner & Block
President & Chief Operating Officer, Consult Ltd.
Retired Managing Partner, Ernst & Young LLP
Chairman, Financial Investments Corporation
Partner, Sonnenschein, Nath & Rosenthal
Provincial Superior, Midwest Province Congregation of the
Mission
Retired Chairman and CEO of Peoples Energy Corporation
Vice President/General Manager, WGN-TV
Corporate and Community Director

* Members of the Board of Trustees' Executive Committee

ILLINOIS FINANCE AUTHORITY

Memorandum

To: IFA Board of Directors
From: Christopher Vandenberg, Program Administrator
Date: May 10, 2004
Re: Overview Memo for Columbia College Chicago Project

- **Borrower/Project Name:** Columbia College Chicago
- **Locations:** Chicago
- **Principal Project Contact:** Michael DeSalle, VP Finance & CFO, Columbia College Chicago
- **Board Action Requested:** Final Bond Resolution
- **Amount:** not to exceed \$10 million to refund existing IFA (IEFA) bonds.
- **Project Type:** 501(c)(3) Revenue Bonds
- **IFA Benefits:**
 - **Conduit Tax-Exempt Bonds** – no direct IFA or State funds at risk
 - **Refunding Bonds:** Fixed Rate, Tax-Exempt Bonds to provide
- **IFA Fees:**
 - One-time, upfront closing fee will be \$35,000
- **Structure/Ratings:**
 - Bonds will be limited obligations of the College, which has an underlying rating of 'BBB' by S&P.
 - Bonds will be insured through XL Capital Assurance, Inc., which has a rating of 'AAA' by S&P.
 - **Current rates:**
 - Series 1992 Bonds – 6.25% to 6.875% callable on December 1, 2004.
- **Positive Factors for Recommendation:**
 - **Conduit transaction**
 - No IFA or State funds at risk
 - **Bonds insured by XL Capital Assurance.**
- **Recommendations/Conditions:**
 - Staff recommends approval – transaction is an insured, conduit bond issue with no extraordinary conditions.

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY**

Deal: Columbia College Chicago

STATISTICS

Deal Number:	E-PC-RE-CD-402	Amount:	\$10,000,000 (not-to-exceed amount)
Type:	501(c)(3) Bonds	PA:	Rich Frampton and Christopher Vandenberg
Locations:	Chicago	Est. fee:	\$35,000
SIC Code:	8821		

BOARD ACTION

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

PURPOSE

Proceeds will be used to (i) refund outstanding Series 1992 A&B IFA (IEFA) revenue bonds, (ii) deposit funds into the debt service reserve fund and (iii) pay certain costs of issuance.

VOLUME CAP

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

VOTING RECORD

This is the first time this project has been presented to the IFA Board.

PROPOSED SOURCES AND USES OF FUNDS

Sources:	IFA Bonds	\$6,605,000	Uses:	Refunding	\$6,427,144
	Premium	111,124		Underwriter's Discount	86,195
	Equity	<u>92,000</u>		Issuance Costs	153,246
	Total	<u>\$6,808,124</u>		Bond Insurance	<u>141,539</u>
				Total	<u>\$6,808,124</u>

JOBS

Current employment:	234(FT)	Projected new jobs:	N/A
	1,065(PT)		
Jobs retained:	N/A	Construction jobs:	N/A

BUSINESS SUMMARY

Background: Columbia College Chicago (hereinafter, "College" or the "Borrower") is incorporated under Illinois law and is a 501(c)(3) not-for-profit corporation exempt from federal income taxes under the Internal Revenue Code.

Description: Columbia College Chicago is private, not for profit, independent, fully accredited, unaffiliated undergraduate and graduate college located in downtown Chicago. The College offers educational opportunities in the performing, visual, communications, and writing arts at both the graduate and undergraduate levels, including the largest film school in the world. Its primary location in the South Loop area of Chicago provides easy access to the Art Institute of Chicago, Alder Planetarium and Astronomy Museum, Field Museum, Chicago Symphony Orchestra and other notable cultural and educational institutions.

Founded in 1890 as the Columbia School of Oratory, the College has grown to become the fifth largest private college or university in Illinois. The enrollment of approximately 9,800 students is drawn primarily from the city of Chicago and its suburbs, but also attracts students from across the United States and from thirty-six other countries. Enrollment growth is expected to continue at approximately 3% to 3.5% through 2008. The student body is virtually evenly divided between men and women. Approximately six percent of the student body is enrolled in graduate studies.

Financials: Audited financial statements 2001-2003.

	<u>Year Ended August 31</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
	(Dollars in millions)		
Income Statement			
Revenues/Support	\$5.1	\$9.1	\$11.0
Change in Net Assets	5.3	(5.7)	8.7
EBIDA *	15.1	3.8	18
Balance sheet:			
Current assets	\$10.5	\$11.7	\$24.3
Net PP&E	99.7	103.2	109.4
Other Assets	<u>57.8</u>	<u>52.0</u>	<u>57.0</u>
Total assets	<u>168.0</u>	<u>166.9</u>	<u>190.7</u>
Current liabilities	17.1	23.0	39.7
LT Debt & Cap. Leases	54.7	53.3	51.9
Other LT Liabilities	-	-	-
Net Assets	<u>96.2</u>	<u>90.4</u>	<u>99.1</u>
Tot Liabs & Net Assets	<u>168.0</u>	<u>166.7</u>	<u>190.7</u>
Ratios:			
Debt Service/Fixed			
Obligation Coverage	4.00x	5.34x	6.34x
Current ratio	0.61	0.51	0.61
LT Debt/Net Assets	0.59	0.61	0.54

* Earnings Before Interest, Depreciate and Amortization

Discussion: Columbia College Chicago's net operating income has increased for three consecutive years, from \$5.1 million for FY 2001 to \$11.0 million for FY 2003. The reported loss in 2002 is attributable to an \$8.9M non-cash pension liability adjustment and \$6.5M in realized and unrealized investment losses. FY 2003 also required a non-cash pension liability adjustment of \$8.4M. Effective June 30, 2003, ended benefit accruals under the two prior pension plans and re-established a new plan.

FINANCING SUMMARY

Security: The Series 2004 Bonds will be secured by a limited obligation of the College (which has an underlying rating of 'BBB' by S&P). The bonds will be insured by XL Capital Assurance, which carries an 'AAA' rating by S&P.

Structure: Tax-Exempt Fixed Rate. Delayed delivery structure to take advantage of current interest rate environment (Priced in June 2004 and delivered on September 1, 2004.)

Maturity: 2017

PROJECT SUMMARY

Bond proceeds will be used to (i) refinance outstanding Series 1992 A&B Illinois Educational Facilities Authority.

Project costs are estimated as follows:

Refunding	\$6,427,144
Total	\$6,427,144

ECONOMIC DISCLOSURE STATEMENT

Applicant: Columbia College Chicago
Project name: Refinance existing Illinois Educational Facilities Authority Revenue Bonds
Location: 600 S. Michigan Avenue, Chicago, Illinois 60605
Organization: 501(c)(3) Not-for-Profit Corporation
State: Illinois
Ownership: Not applicable for 501(c)(3) Corporations. *See list of Board of Directors attached.*

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Wildman, Harrold, Allen & Dixon	Lisle, IL	David Hight
College's Advisor:	John S. Vincent & Company, LLC	Chicago, IL	John S. Vincent
College's Auditor:	KPMG, LLP	Chicago, IL	Stuart Millar
Bond Counsel:	Chapman and Cutler, LLP	Chicago, IL	James E. Luebchow
Senior Manager:	RBC Dain Rauscher	Chicago, IL	Jim Pass
Co-Manager:	Loop Capital Markets	Chicago, IL	Warren "Bo" Daniels
Underwriter's Counsel:	Barnes & Thornburg	Chicago, IL	Jeff Qualkinbush
Trustee:	U.S. Bank National Association	St. Paul, MN	Lori-Anne Rosenberg
Rating Agency:	Standard & Poor's Rating Services	Chicago, IL	Susan L. Carlson
Insurance Provider:	XL Capital Assurance, Inc.	New York, NY	Scott Beinhacker
IFA Counsel:	Kevin Cahill, Esq.	Chicago, IL	Kevin Cahill

LEGISLATIVE DISTRICTS

Congressional:	7	Danny K. Davis
State Senate:	13	Barack Obama
State House:	26	Lovana Jones

**COLUMBIA COLLEGE CHICAGO
BOARD OF TRUSTEES
2002-2003**

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ILLINOIS FINANCE AUTHORITY

Memorandum

To: IFA Board of Directors
From: Marcia Cochran, Program Administrator
Date: May 18, 2004
Re: Overview memo for Roho, Inc.

- **Borrower/Project Name:** Roho, Inc.
- **Location:** Belleville (St. Clair County)
- **Principal Project Contact:** Matthew A. Gomric, Asst. VP, U.S. Bank
- **Board Action Requested:** Approval to purchase loan participation
- **Amount:** \$300,000 (Total Project Amount: \$1.5 million)
- **Project Type:** Business – Participation Loan
- **IFA Benefits:**
 - Buy-down of interest rate - \$300,000 IFA funds at risk
 - Borrower provided with lower blended interest rate
- **IFA Fees:**
 - 2.5% additional interest income earned over CD rate: \$7,500 (year 1 only)
- **Structure:**
 - Loan participation to be purchased by U.S. Bank, Fairview Heights, Illinois
 - Loan term will be five years with a seven year amortization
 - Interest rate will be 150 basis points below bank rate. The bank's interest rate will be set at time of closing at 225 basis points below the Bank's cost of funds (estimated at 6% as of 5/3/04), fixed for five years.
 - Collateral will be a first pro-rata "*pari passu*" with U.S. Bank and Department of Commerce and Economic Opportunity (DCEO) on equipment to be purchased with loan proceeds and a blanket lien on accounts receivable and inventory. Based on a conservative discounted value of \$6,275,000, the collateral coverage ratio will be at least 4.19 times.

ILLINOIS DEVELOPMENT FINANCE AUTHORITY
BOARD SUMMARY
May 18, 2003

Project: Roho, Inc.

STATISTICS

Project Number:	B-LL-TX-404	Amount:	\$300,000
Type:	Participation Loan	PA:	Marcia Cochran
Location:	Belleville	Tax ID:	37-1120532
SIC Code:	3069 Fabricated Rubber Products	Est. fee:	\$7,500 (estimated additional first year interest)

BOARD ACTION

Purchase of Participation Loan from U.S. Bank - Fairview Heights, Illinois
\$300,000 IDFA funds at risk
Collateral is *pari passu* first position with the bank
Staff recommends approval subject to approval of bank loan and subordination of royalty payments.

PURPOSE

Purchase of production equipment for Roho, Inc., that is a leading manufacturer of medical air-cushion cushion and mattress products.

VOTING RECORD

No voting record. This is the first time the IDFA Board of Directors have reviewed this project.

SOURCES AND USES OF FUNDS

Sources:	IFA	\$ 300,000	Uses:	Project Costs	<u>\$1,500,000</u>
	DCEO	300,000			
	Bank	<u>900,000</u>			
	Total	<u>\$1,500,000</u>		Total	<u>\$1,500,000</u>

JOBS

Current employment:	275	Projected new jobs:	0
Jobs retained:	100	Construction jobs:	N/A

BUSINESS SUMMARY

Background: Roho, Inc. (the "Company") manufactures and sells, on a worldwide basis, "Shape Fitting Technology" devices used primarily by individuals who have, or are at risk to develop, ischemic ulcers, more commonly known as pressure sores, or who have recently undergone tissue surgery. These devices are primarily pneumatically adjustable surfaces.

Roho, Inc. was founded in 1972 by Robert Graebe, a former research engineer for McDonnell-Douglas. Mr. Graebe invented and patented the "dry floatation" technology that is used in the various cushion and mattress products to relieve pressure sores commonly suffered by disabled persons. Dry floatation provides for proper positioning of the body and maintaining blood flow,

which leads to less deformation of soft tissues. Products are also being developed for wider non-medical applications including car seats, scooter/motorcycle seats, saddles, helmets, etc. Roho products are sold primarily to medical entities, including hospitals and physical therapists through a worldwide dealership network. The Veterans Administration is the largest single customer. All the products are based upon technologies patented by Robert Graebe, who in addition to being the principal owner of Roho, personally receives royalties from Roho.

For tax reasons, the Roho Group, Inc. was formed in fiscal year ending 11/30/02 to own the stock of both Roho, Inc., Crown Therapeutics, Inc. and AirCare Therapy, Inc. Mr. and Mrs. Robert Graebe own 31.75% of Roho Group, Inc., while each of their five children own 13.65% each. Roho Group, Inc. is the guarantor of all debt of all three of the subsidiary entities.

Description: The project includes the purchase of new assembly line production equipment. The new equipment will result in efficiency improvements and sustained product quality. The manufacturing facility has 118,000 sq. ft. of space, and is owned by Legacy Group, Inc., a real estate holding company also owned by Mr. & Mrs. Graebe and the five children. IDFA participated in this financing several years ago, which has been paid in full.

Remarks: The Department of Commerce and Economic Opportunity (DCEO) are also considering an application for a Participation Loan of \$300,000. The collateral will be shared by the Bank on a first priority to IFA and DCEO on a pro-rata basis.

Financials: Financial Statements of the parent company Roho Group, Inc.: (Consolidated)
 *Comprehensive Audited Balance Sheet, Roho Group, Inc. : 11/30/02
 Comprehensive Internally-Prepared Profit and Loss Statement: 11/30/02
 Comprehensive Audited Financial Statement, Roho Group, Inc.: 11/30/03
 Comprehensive Projected Profit and Loss Statement: 11/30/04 – 11/30/05

*Only the Audited Balance Sheet for fiscal year ended 11/30/02 was prepared due to the formation of The Roho Group, Inc. and Subsidiaries during the fiscal year.

**The Roho Group, Inc. and Subsidiaries
Year Ended November 30 (Dollars in 000')**

	<u>2002</u>	Actual	<u>2003</u>	Forecast	<u>2005</u>
Income Statement					
Revenues	29,168		33,826	37,502	40,855
Net Income	(1,646)		2,099	1,172	1,293
Balance Sheet					
Current Assets	10,143		9,860	9,744	11,039
Net Property, Plant and Equipment	5,516		5,975	7,812	7,348
Other Long-term Assets	<u>3,144</u>		<u>3,142</u>	<u>3,611</u>	<u>3,611</u>
Total Assets	<u>18,803</u>		<u>18,977</u>	<u>21,167</u>	<u>21,998</u>
Current Liabilities	3,461		5,421	5,635	5,700
Long-Term Debt	1,108		795	1,599	1,072
Other Long-Term Liabilities	8,359		6,419	6,419	6,419
(Dividends)	--		(1,632)	--	--
Stockholder's Equity	<u>5,875</u>		<u>6,342</u>	<u>7,514</u>	<u>8,807</u>

Total Liabs. & Stockholder Equity	<u>18,803</u>	<u>18,977</u>	<u>21,167</u>	<u>21,998</u>
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Ratios:

Debt Service Coverage	--	9.12	6.02	3.75
Current Ratio	2.93	1.83	1.73	1.94
Long-term Debt to Tangible Equity	.49	2.42	1.66	.95

Discussion:

Income Statement: Gross revenues rose 16% in 2003 from 2002 as revenues grew due to the AirCare Therapy, Inc. acquisition. COGS improved in 2003 as management was able to solve a neoprene production issue that occurred in 2002. In order to solve the problem of defective neoprene they received from their suppliers, the Company built a neoprene lab and hired engineers and consultants to test all batches of neoprene. As a result, Roho now has the capability to manufacture flawless neoprene. Net profits rebounded from 2002, primarily due to the correction of the neoprene issues.

Balance Sheet: Since the neoprene problems, Robert Graebe has deferred royalties which totaled \$7.022 million at FY2003. The deferred royalty payable will be repaid to Mr. Graebe over five years, which began 12/03. The Deferred Royalty Payable bears no interest with monthly payments of \$117,000. The only other debt is the AirCare Therapy note, which totaled \$1.1 million at FYE 2003.

Liquidity/cash has declined as management has increased inventory. Also, management has used internal cash to pay for the \$1.4 million of capital expenditures in 2003 for facility improvements and the consolidation of offices to make the Company more efficient.

FINANCING SUMMARY

Security:

IFA's security includes the following:

- Pro-rata security interest of first priority on equipment purchased with loan proceeds, and a first position blanket lien on Accounts Receivable and Inventory, shared with DCEO and U.S. Bank. The Company's \$2 million revolving Line of Credit Agreement with U.S. Bank is also collateralized by Inventory and Accounts Receivable. As of 11/30/03, the Company had no borrowings under the line of credit agreement. However, it should be noted, the Line of Credit will be subordinate, in regard to repayments, to this current IFA/Bank loan.

Collateral Analysis: The average book value for the last two years of Accounts Receivable and Inventory has been 26% of sales, or approximately \$8.2 million. Staff has taken a conservative approach by discounting the value of Accounts Receivable and Inventory 65% to \$5.3 million. Staff also discounted the new production assembly line equipment purchased with loan proceeds by 65% to \$975,000 *orderly liquidation value*. Based on the foregoing, the Bank, IFA and DCEO's \$1,500,000 loan will have a collateral coverage ratio of 4.19 times. Even though Accounts Receivable and Inventory also secure the \$2 million line of credit, the Bank would limit the line of credit if the level of Accounts Receivable and Inventory were to decrease.

- Corporate guaranty of the parent company, Roho Group, Inc., having a net worth of \$6,341,458 (as of 11/30/03).

Structure:

Based on the guidelines of the Participation Lending Program, IFA's interest rate will be 150 basis points below what the Bank is charging the customer. The Bank's interest rate will be 225 basis points over U.S. Bank's cost of funds (estimated to be approximately 6% as of 5/3/04). The Bank's interest rate will be fixed for 60 months with a 84-month amortization. The Bank will pass the entire 150 b.p. savings to the Company.

Maturity: Five-year maturity

PROJECT SUMMARY

The project includes the purchase of new assembly line production equipment. The new equipment will result in efficiency improvements and sustained product quality. Project costs are estimated as follows:

Equipment	<u>\$1,500,000</u>
Total	<u>\$1,500,000</u>

ECONOMIC DISCLOSURE STATEMENT

Applicant: Roho, Inc.
Location: 100 North Florida Avenue, P. O. Box 658, Belleville, IL 62222-0658
Organization: Subsidiary of Roho Group, Inc.
State: Illinois
Ownership: Mr. and Mrs. Robert Graebe and five children listed below:
Mr. and Mrs. Robert Graebe: 31.75% of Roho Group, Inc.
Robert Graebe: 13.65% of Roho Group, Inc.
Kurt Graebe: 13.65% of Roho Group, Inc.
Dana Roberts: 13.65% of Roho Group, Inc.
Lynda Peyton: 13.65% of Roho Group, Inc.
Nancy Faist: 13.65% of Roho Group, Inc.

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Danna McKittrick	Clayton, MO	Ronald Danna
Accountant:	Schmersahl Treloar & Co.	St. Louis, MO	
Bank:	U.S. Bank	Fairview Heights, IL	Matthew Gomric

LEGISLATIVE DISTRICTS

Congressional:	12 Jerry Costello
State Senate:	57 James F. Clayborne, Jr.
State House:	113 Thomas Holbrook
	114 Wyvetter H. Younge

ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY

Deal:

zuChem, Inc.

350 W. Hubbard Street, Suite 400, Chicago IL 60610

zuChem

STATISTICS

Transaction Number:	V-TD-403	Amount:	Up to \$250,000
Type:	Venture Capital	PA:	Christopher Vandenberg
Locations:	Chicago & Peoria		

BOARD ACTION

Voting Record:	This is the first time this project has been presented to the IFA Board of Directors
IFA Staff:	Recommend approval
Illinois Coalition:	Recommended to IFA

IFA Funds at Risk? YES: NO: Amount: \$250,000

JOBS

Current Employment:	10	Projected new jobs:	8
Jobs Retained:	N/A	Construction jobs:	N/A

SUMMARY

zuChem, Inc., manufactures and sells chemical products. The Company's main focus is to develop and commercialize new processes for producing glycochemicals. Glycochemicals are complex and rare sugar-based chemicals. Current processes used to produce these chemicals are complex and costly. zuChem intends to license these technology platforms to supply the pharmaceutical, food, and other specialty industries with glycochemicals. zuChem's glycochemical products will focus on the following four areas: polyols, carbosugars, engineered carbohydrates, and oligosaccharides.

The Authority invested \$293,100 in April 2003 and was matched by a \$501,800 investment from Arch DP. These funds were used to develop a fermentation process to produce mannitol with the USDA Ag-Lab in Peoria. Mannitol is a complex sugar used by the food industry as a low-calorie sweetener. zuChem has completed the first generation process and is producing very high yield mannitol at a cost below the current process. zuChem is in the process of seeking a partner to manufacture and market mannitol. zuChem has also acquired a patent portfolio that will provide significant reductions of the manufacturing cost and has begun implementing it into the second generation process. A petition seeking approval for mannitol was submitted to the FDA and approval is expected in Q3 or Q4 2004.

Finally, zuChem has received a \$900,000 grant to develop a fermentation process to make xylitol from the BRDC – a research consortium consisting of a variety of industry leaders including BASF, Dow Chemical, Cargill Dow, and Monsanto Company. Xylitol has applications in both the food and pharmaceutical industries. zuChem has established a relationship with a research organization and are producing xylitol from high-fructose corn syrup. While the initial yields are not very high, continued process improvements similar to those used in the mannitol process will permit significant reductions in the cost of producing xylitol. Currently, the xylitol market is constrained by limited raw materials. The zuChem process will eliminate this constraint.

The additional funds being raised will be used to close on a partner for the mannitol process and to advance the pharmaceutical aspects of the company. zuChem is also preparing to raise a \$5M Seres B financing that will further the pharmaceutical plan. Other investors participating in this second close are Arch DP, the founders, Heartland CDC, the BRDC and a group of well-known Angel investors from the Peoria area.

First Round

IFA Investment: \$293,100
Investment Leveraged: 501,800
Pre-Money Valuation: 2,500,000
Post-Money Valuation: 3,294,900

IFA Ownership: 8.57% (fully diluted)
Security Type: Series A Preferred Stock
of Shares: 1,722
Price Per Share: \$170.51

Second Round

IFA Investment: \$250,000
Investment Leveraged: 675,244
Pre-Money Valuation: 3,294,900
Post-Money Valuation: 4,220,144

IFA Ownership: 12.34% (fully diluted)
Security Type: Series A Preferred Stock
of Shares: 3,185
Price Per Share: \$170.51

TERM SHEET

In April 2003, IFA invested \$293,100 in zuChem, Inc. in exchange for Series A Preferred Stock. Our initial investment was matched by Arch Development Fund I. Since then, the company has been able to raise an additional \$675,244 from Arch (\$60,000), the founders (\$88,000), Heartland CDC (\$50,000), the BRDC (\$200,000 - a biotech consortium made up of DOW chemical, Cargill Dow, Monsanto, and others) and several notable angel investors from the Peoria area (\$225,000). Investments are also being solicited from the Peoria Tri-County Venture Fund and others.

Series A Preferred currently has liquidation preference, conversion rights, protective provisions, and *full ratchet anti-dilution* protection. The full-ratchet anti-dilution is available for 2 years, at which time converted to broad based weighted average. The Authority also has observation rights for as long it is a shareholder in the Company.

Dividend Provisions

Series A Preferred will dividends of 8% of the original price per annum when declared by the board. Until a Threshold IRR of at least 30% is achieved, the dividends will be cumulative, but paid only upon liquidation. Series A also receives a pro rata share of any dividends paid on common stock on an as-if-converted basis.

Liquidation preference and Redemption Rights

First priority is given to Series A Preferred in the amount equal to the original purchase price and any unpaid dividends. In the event of excess funds, preference is the given to common stockholders in the amount equal to the per share valuation prior to financing. Finally, any remainder is distributed ratably to holder of Common and Series A on an as-if-converted basis.

Conversion rights

Series A Preferred shall have the right to convert to common stock at any time, initially on a 1:1 basis.

Series A will be automatically converted under the following conditions: (1) the majority of Series A consent; (2) Closing of a firmly underwritten public offering of shares of common stock of the company at a per share price not less than three times the original purchase price and not less than \$20 million.

Use of funds

The funds of from the current round of financing will be used to continue efforts to establish a partnership to manufacture and sell mannitol into the food industry. Additionally, work will continue to generate new intellectual property (IP) and to support research and development (R&D) operations in the xylitol area. The funds are expected to increase the focus on the pharmaceutical aspects of the company, which will allow them to raise a Series B round of approximately \$5 million by the end of 2004.

Burn Rate

The current burn rate of the Company is approximately \$80,000.

Funding Sources

ARCH Development Partners Fund I - ARCH Development Fund I is a venture capital fund organized to provide returns by combining operations and seed investment experience to address the void of seed venture capital in the Midwest. The ARCH investment focus is research-based technologies including biotechnology/life sciences, wireless, software, and technology infrastructure. ARCH invests in pre-seed and seed stage opportunities focused around unique intellectual property. ARCH co-invested with IFA in the following companies: SmartSignal, Mobitrac and NephRx, Influx, and zuChem. IFA is also invested in the ARCH Development Fund through a Fund-to-Fund investment of \$300,000 representing 1.13% of the entire fund.

BRDC - see below.

BACKGROUND

Glycochemicals are sugar-like chemicals that are key components in both pharmaceutically active compounds and food ingredients. Many sugar molecules are involved in cell-cell, virus-cell, and bacteria-cell interactions; therefore, unique glycochemicals can play a role in disrupting these interactions and may lead to the development of new treatments for bacterial and viral infections. Glycochemicals may also play a role in the treatment of diabetes. All of the potential that this class of chemicals may possess is currently limited because of three main factors:

- There are only a small number of naturally occurring glycochemicals available for research,
- Synthetic glycochemicals are expensive and rarely available, and
- Methods to synthesize glycochemicals are long or impossible using traditional chemistry.

SCIENCE

Glycochemicals, which belong to the chemical family of polyols, behave very similarly to sugars offering an equivalent amount of sweetness with fewer calories. Glycochemicals are not artificial sugar substitutes, but are an unusual form of sugars. The most commonly utilized glycochemicals are sorbitol, mannitol, and xylitol.

The current processes for synthetically creating glycochemicals are complex and expensive using traditional chemistry. zuChem plans to utilize a novel fermentation process in order to synthesize the chemicals more economically. The fermentation process utilized by zuChem will permit the use of cheaper, less pure raw materials, which greatly reduces the cost associated with production. zuChem also produces mannitol with a nearly 100% conversion in a relatively simple process.

APPLICATIONS

Polyols, due to their unique characteristics, can have a wide variety of applications. Currently, sorbitol is the most widely utilized due to its relative ease of production. zuChem believes that mannitol and xylitol use will increase over sorbitol once a cheaper production method is discovered. Current applications of mannitol and xylitol are in foodstuffs, dental products, and drugs. Used in food, it has similar sweetness to sugar, but with fewer calories. Also, because polyols are metabolized differently from the body (without insulin) they can be used in diabetic foods. The most common uses are in dental products including sugar-free gums, toothpaste, and mouthwashes. Both mannitol and xylitol have been shown to reduce cavities - xylitol has even been shown to prevent cavities. Finally, due to their inert nature, polyols can be used as drug fillers while yielding a sweet taste.

An additional application identified is in the sunscreen market. The USDA has identified a glycochemical that is derived from soybean oil. This SoyScreen™ provides UVA and UVB protection that is similar to the chemicals that are currently available, but is all natural and environmentally safe, producing no waste solvents or the chemical by-products that result from current sunscreen materials.

INTELLECTUAL PROPERTY

zuChem has exclusive commercialization rights to technologies relating to the biocatalysis process of producing mannitol from the USDA Ag-Lab. Additionally, they will have exclusive commercialization rights to the resulting technologies from the BRDC research collaboration for xylitol. In February 2004, zuChem purchased a patent portfolio from Hydrios Ltd. This portfolio will allow for process improvements on the USDA mannitol patents, which are expected to produce significant cost savings in the manufacturing process. zuChem continues to explore opportunities to strengthen its patent portfolio and are in the process of exploring several unique opportunities to broaden its portfolio with respect to pharmaceutical applications of their technology.

FOOD AND DRUG ADMINISTRATION (FDA)

The FDA has already approved the production of mannitol, xylitol, and inositol. In order to gain approval for the new process for xylitol, zuChem will only have to prove that the products meet the minimum required purity level. These standards are also similar in Europe and Canada.

The regulatory approval process for mannitol in the United States is somewhat more complex and lengthy because the FDA must also verify and approve the process. zuChem filed its regulatory filing in December 2003 and has received indications from the FDA that it will be approved in Q3 or Q4 2004.

Revenue Model

zuChem's revenue model is based upon initial revenues derived from the mannitol product line. Through either a licensing partnership with a manufacturer, or through complete divestiture of the mannitol product, zuChem will fund continued research and development on xylitol and other products to advance its pharmaceutical plan. When the research on xylitol is complete, the Company plans to both license out the manufacture of xylitol, as well as license and partner with pharmaceutical companies to explore uses of

xylitol and its derivatives as an active pharmaceutical ingredient.

Small-scale (gram to kilogram) manufacturing will be performed by zuChem, but large-scale (100kg to ton) production will be out-sourced to toll manufacturers that will utilize zuChem's proprietary methodology. This will allow zuChem to keep capital expenditures to a minimum and allows for resources to be more focused on R&D efforts.

TARGET MARKET

The following market size numbers are according to the Business Communication Center (BCC) Market Research Report from October 2001.

Food Market

The class of glyco-chemicals that zuChem has identified as most promising in the food market are polyols. The three most popular polyols currently used are sorbitol, mannitol and xylitol. zuChem will focus on mannitol and xylitol. Mannitol has a market size of approximately \$80 million and zuChem expects it to grow to \$90 million by 2005. Xylitol has a market size of \$150 million. The Xylitol market is currently limited by raw materials availability, but with the introduction of zuChem's processes to produce it cheaper, the markets could grow to almost \$240 million. zuChem expects both of these markets to begin to reduce the \$700 million sorbitol market upon introduction of cheaper and quicker manufacturing

processes. These processes will also permit exploration into a wider range of uses. After successful introduction of these two products, zuChem will also focus on developing probiotics and nutraceuticals which have an estimated market size of \$1.9 billion and \$50 billion, respectively.

Pharmaceuticals

After successful penetration into the food markets zuChem will begin product development in the pharmaceutical sectors. There are four major classes that zuChem intends to focus on: anti-microbials, anti-virals, anti-cancers, and insulin sensitizers. The current market size for anti-microbials is \$30 billion, but is expected to grow to approximately \$69 billion by 2008. Anti-virals currently are a \$15 billion market and anti-cancers are a \$14 billion market. Finally, insulin sensitizers are a \$1.7 billion market that is expected to increase to \$7.3 billion by 2006.

KEY PERSONNEL

Management Team

David Demirjian, Ph.D. – President – Mr. Demirjian was the previous founder and President of ThermoGen, Inc. ThermoGen is a Chicago-based bio-process company that is a pioneer of esterase bio-catalysis technologies that are utilized by pharmaceutical companies. ThermoGen (\$30 million in sales) merged with MediChem Life Sciences and Mr. Demirjian became Vice President of Technology Strategy. Mr. Demirjian was one of the leaders for MediChem's IPO raising \$52 million in October 2000. He is a previous winner of the Research Director's Association of Chicago "Entrepreneur of the Year Award" (1997) and a recipient of the US SBA "Tibbets Award" for successful commercialization of technology developed under the Federal SBIR program. Mr. Demirjian has a B.S.A in Molecular Biology from University of

Michigan and a Ph. D. in Genetics from University of Chicago.

Rajni Aneja – Vice President, Corporate Development – Ms. Aneja formerly was the Vice President, Corporate Development for MediChem Life Sciences with over fifteen years of experience in commercializing early stage life sciences products with ThermoGen, Onyx Pharmaceuticals, Ligan Pharmaceuticals, Abbott Laboratories, and ARCH Development Corporation. Ms. Aneja has a M.S. in Biochemistry from Cornell University and a MBA in Business Economics and Finance from University of Chicago.

Michael J. Friesema – COO & President – Food Ingredients – Mr. Friesema has over two decades of experience in the food industry. Previously, he was the president of Enzyme Bio-Systems, a division of Corn

Products International (CPI), where he lead the turnaround of the company and played a lead role in its divestiture to Genencor International. Mr. Friesema joined CPI in 1981 and held a number of positions of increasing responsibility in the company. He is a former two-term president and board member of the Wisconsin Biotechnology Association and a former president and board member of Stateline United Way in Wisconsin. Mr. Friesema holds a B.S. in Chemical Engineering and an M.B.A., both from Michigan Technological University.

Raymond Willis – *Vice President, Operations and General Manager* – Mr. Willis most recently was President, AXAS (Advanced Photon Source

synchrotron), which was a subsidiary of MediChem Life Sciences formed to run the COM-CAT beamline facility at Argonne's Advanced Photon Source as a service organization for Argonne National Laboratories and the Department of Energy. Mr. Willis previously was Vice President, Operations and General Manger of ThermoGen where he oversaw their transformation from a research-based company to a product-based one. Mr. Willis is also a previous Director of the Technology Commercialization Center at the University of Chicago with over 20 years of start-up experience. He holds degrees from University of Colorado, New School for Social Research and Rutgers University.

BOARD OF DIRECTORS

David Demirjian – *President*

Michael Friesema – *COO & President – Food Ingredients*

Thomas Churchwell – *Managing Partner, ARCH Development Partners, LLC* – Mr. Churchwell is a managing partner of ARCH DP, an early stage venture capital firm with which the Authority is a Limited Partner. Previously, Mr. Churchwell was President and CEO of ARCH Development Corporation, the commercialization subsidiary of University of Chicago. Mr. Churchwell was President and CEO of Calgene Fresh, Inc., a 1992 start-up company which produced and marketed the first biotech food product – a tomato. Before starting Calgene, Mr. Churchwell held several senior management positions at NutraSweet including VP – Sales and legal positions at G.D. Searle & Co., American Hospital Supply Corp. and the Coca-Cola Export Corporation. Mr. Churchwell holds a BA from DePauw and a JD from Northwestern University and is a Graduate of the Advanced Management Program at the Harvard Graduate School of Business Administration.

Charles Bibart, Ph.D. – *VP, Global Supply, Pharmacia (ret.)* – Dr. Bibart has over 25 years of experience in the pharmaceutical industry. He joined Upjohn in 1977 as a research scientist and rose through the ranks until 1989 when he was named Vice President, Drug Delivery Research and Development. In 1991, he was named Vice President, Pre-clinical and Pharmaceutical Development and in 1995 appointed Vice President and GM for chemical operations at Upjohn. Following the merger he became VP, Global Supply until he retired. Dr. Bibart received his B.S in Chemistry from Hope College and subsequently earned his Ph.D. from Indiana University in Physical Chemistry.

Douglas Stewart – *Regional Vice President, National City Bank* – Mr. Stewart is currently the regional VP of National City Bank at the Peoria, IL branch. Prior to National City, Mr. Stewart was President, First of America Bank-Illinois (Peoria). Mr Stewart has held a variety of banking positions dating back to 1973 where he began his career as a Trainee, Commercial National Bank of Peoria. Mr. Stewart graduated Magna Cum Laude from Illinois Wesleyan University where he received his Bachelor of Arts Degree. He also holds a M.B.A. from Bradley University.

SCIENTIFIC ADVISORY BOARD

David Ager, Ph.D., *Chemistry Scientific Advisor* – Dr. Ager is currently Competence Manager of DSM Fine Chemicals. He has over 25 years experience in the fine chemical industry overseeing development of new products. He has previous work experience with NutraSweet, NSC Technologies, Great Lakes Fine Chemicals, and MediChem Life Sciences. Dr. Ager holds a B.Sc. (Hons) in Chemistry from Imperial

College in London and a Ph.D. in Chemistry from Cambridge.

David Dodds, Ph.D. – *Scientific Advisor* – Dr. Dodds is the former Director of Fermentation and Bio-catalysis Development for Bristol-Myers Squibb with over 20 years industrial experience. He has established bio-catalysis groups as Sepracor and Schering-Plough. Dr. Dodds is familiar with multiple aspects of drug

manufacturing, including chemical and fermentation process development and IP development. Dr. Dodds holds a B.Sc. in Biochemistry, a M.Sc. in Biological Chemistry, and a Ph.D. in Organic Synthesis.

Ian Fotheringham, Ph.D. – Bio-catalysis Scientific Advisor – Dr. Fotheringham a bio-transformation consultant, Director, Bio-processor Technologies, Richmond Chemical Corporation, and a visiting faculty

member at University of Edinburgh. Dr. Fotheringham has over 20 years of experience in development and implementation of bioprocesses for synthesis of commercially relevant molecules. He was a key individual in development processes for the synthesis of chiral fine chemicals and pharmaceutical intermediaries. Dr. Fotheringham has a B.Sc. and Ph.D. in Molecular Biology from University of Glasgow, Scotland.

STRATEGIC ALLIANCES AND PARTNERSHIPS

National Center for Agricultural Utilization Research (NCAUR Ag-Lab) – zuChem has signed a Co-operative Research and Development Agreement (CRADA) with the Ag-Lab in Peoria to commercialize D-mannitol. Under this agreement, zuChem and the Lab jointly fund the development of the mannitol bioprocess. zuChem holds exclusive commercialization rights for the technology developed under this agreement. Through this agreement, zuChem is permitted to use lab space and equipment at the USDA lab in Peoria.

Additionally, zuChem has begun exploring the opportunity to work with the Lab to develop a sunscreen based on Soybean Oil. The manufacture of this chemical will use a process similar to the production of mannitol & xylitol.

Hydrios Biotechnology Ltd. – In July 2003, zuChem purchased a patent portfolio developed by Hydrios and Helsinki University of Technology. zuChem was assigned all rights to a worldwide patent portfolio of microbial fermentation methods of producing mannitol. This technology will allow zuChem to greatly reduce the cost of producing mannitol via the process developed with the USDA-Ag Lab.

Biotechnology Research and Development Consortium (BRDC) – BRDC is a research management corporation owned by Agricultural Research and Development Corporation, Sygen International PLC, BASF Corporation, Seminis Vegetable Seeds, Inc., Maxygen, Inc., Monsanto Company, Wyeth, Cargill Dow LLC, The Dow Chemical Company, and Mallinckrodt Inc.

zuChem has received a \$900,000 grant from the BRDC to develop and commercialize a fermentation approach to manufacturing xylitol. The BRDC also provides funding to the USDA lab to support scientific collaboration with zuChem on the xylitol product on a second CRADA. Under this agreement, zuChem holds exclusive commercialization rights to the technology developed under the program. The BRDC also is a participant in this round of investment (\$200,000).

Ingenza Ltd. – In February 2003, zuChem entered into a research collaboration agreement with Ingenza whereby zuChem funds activities at Ingenza to assist in developing technology under the xylitol program. zuChem holds all intellectual property and commercialization rights.

COMPETITION

Competition for zuChem will come from small boutique companies developing synthesis technology for pharmaceutical market applications of small molecule drugs. Potential competitors in the area include Alchemia, Dextra, Momenta and others. These companies all have long term goals to leverage their expertise by developing various compounds into drug agents, both through partnerships and on their own. All of these companies base their business model on seeding the pharmaceutical industry with carbohydrate molecules they specialize in synthesizing.

Given the potential of glycochemicals in the pharmaceutical industry, other potential competitors include major pharmaceutical manufactures including Pfizer, Merck, and GSK.

Finally, with respect to manufacturers of polyols, major players include Cerestar (Cargill), Roquette Freres, SPI Polyols, Suedzucker, Tate & Lyle, ADM and Danisco. All of these companies currently manufacture polyols via catalytic hydrogenation process – an expensive, non-proprietary process. The majority are focused on producing sorbitol, but there is significant interest in expanding into the xylitol market. zuChem's proprietary process can potentially provide these manufacturer's with a competitive advantage while increasing their thin margins.

zuChem Competitive Advantages

- New, cheaper, proprietary process for production of polyols.

- Pharmaceuticals/Intermediaries - Will provide synthesis technology for production of unnatural or engineered products.

EXIT STRATEGY

The company plans to exit either through either through an acquisition by a large pharmaceutical company or through a series of partial exits. The partial exits, which are the more likely of the two options, will be achieved through the sale of the product lines to food or pharmaceutical companies. The exits are planned to begin in two to three years.

POST-MONEY OWNERSHIP AND SALARIES

	Pre-Money		Post Money	
	# Shares	Ownership %	# Shares	Ownership %
Investors				
Arch DP	4,999.2	24.87%	5,710.0	22.32%
IFA	1,722.6	8.57%	3,185.0	12.45%
Gerald Demirjian	299.0	1.49%	299.0	1.17%
Heartland	-	0.00%	293.0	1.15%
BRDC	-	0.00%	1,173.0	4.59%
Peoria Angels	-	0.00%	1,319.0	5.16%
Total Investors	7,020.8	34.93%	11,979.0	46.84%
Other Equity Holders				
David Demirjian	3,809.0	18.95%	4,214.0	16.48%
Rajni Aneja	3,509.0	17.46%	3,573.0	13.97%
Ray Willis	3,209.0	15.97%	3,261.0	12.75%
Ingenza	300.0	1.49%	300.0	1.17%
SAB	420.0	2.09%	420.0	1.64%
Other Employees	270.0	1.34%	270.0	1.06%
Option Pool	1,560.0	7.76%	1,560.0	6.10%
Total Other	13,077.0	65.07%	13,598.0	53.16%
Total	20,097.8	100.00%	25,577.0	100.00%

SALARIES OF MANAGEMENT TEAM:

David Demirjian, Ph.D. – <i>President</i>	Salary:	\$175,000*
Rajni Aneja – <i>Vice President, Corporate Development</i>		\$150,000*
Michael Friesema – <i>Chief Operating Officer & President – Food Ingredients</i>		\$125,000
Raymond A. Willis – <i>Vice President, Operations and General Manager</i>		\$100,000*

**Founders have been deferring 40% of their salaries since October. Deferred amounts through March were converted into equity.*

ECONOMIC DISCLOSURE INFORMATION

	Firm	Location	Contact
Company	zuChem, Inc.	Chicago	Raymond A. Willis
General Counsel:	David Parsigian	Ann Arbor, MI	David Parsigian

Accountant:	Jeffrey Whitnell, C.P.A.	Chicago	Jeffrey Whitnell
Co-Investor	<i>ARCH Development Fund I</i>	<i>Chicago</i>	<i>Christopher Quinn</i>
Counsel:	Sonnenschein, Nath, & Rosenthal	Chicago	Michael D. Rosenthal
Accountant:	Ernst & Young	Chicago	Benji Wolken
Co-Investor	<i>BRDC</i>	<i>Peoria</i>	<i>Grant Bruhen</i>
Counsel:	Elia, Meginnes, Riffle & Seghetti	Peoria	Brian Meginnes
Accountant			Barbara Getz

LEGISLATIVE DISTRICTS

Congressional:	Danny K. Davis (7)
State Senate:	Margaret Smith (3)
State House:	Shirley M. Jones (6)

	2004	2005	2006	2007	2008
Total Revenue	\$ 850,000	\$ 3,250,000	\$ 8,150,000	\$ 19,500,000	\$ 24,250,000
Cost of sales	\$ 364,500	\$ 1,446,250	\$ 3,537,375	\$ 8,093,000	\$ 6,827,500
Gross Profit	\$ 235,500	\$ 1,053,750	\$ 3,412,625	\$ 8,057,000	\$ 8,672,500
% of Total net revenues	39%	42%	49%	50%	56%
Total operating expenses	\$ 2,271,882	\$ 3,501,731	\$ 6,372,913	\$ 11,176,248	\$ 12,793,292
% of Total net revenues	379%	140%	92%	69%	83%
Pretax Income	\$ (1,786,382)	\$ (1,697,981)	\$ (1,760,288)	\$ 230,752	\$ 4,629,208



ILLINOIS FINANCE AUTHORITY

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TTY 1.800.526.0844
Voice 1.800.526.0857

Rod R. Blagojevich
Governor

DATE: May 10, 2004
FROM: Christopher Vandenberg, Program Administrator
TO: Illinois Finance Authority Board of Directors
RE: Metalforming Controls Corporation

The Board Report for Metalforming Controls Corporation will be forwarded later this week. Below please find a brief summary of the Company, its recent history/progress, and the funding request. I look forward to answering any questions you may have regarding this transaction.

Company Summary

Metalforming Controls Corporation (MC²) (www.metalformingcontrols.com) has developed a hydraulic technology to address deficiencies in the current technology for draw presses used mainly in the automotive and "white goods" industries. In "stretch forming," metal sheets are processed in a manner that is similar to stretching a rubber sheet to conform to a new, three-dimensional shape. A part of the system that attributes to both press damage and part defect relates to the mechanisms that hold the "blanks." The current technology utilizes nitrogen gas. Metalforming's Force Modulator™ (FM) system is a hydraulic system that provides tonnage control through the stroke, reducing press shock (reduces press damage & downtime), increasing the life of the die (reduces the frequency of cylinder changes), increasing the press operating speed, increasing part quality and reducing defect rates.

Background

The Authority has made two investments totaling \$400,000 into Metalforming Controls alongside co-investments of \$800,000 from AAVIN Venture Partners. MC² also received a \$1,100,000 grant from the Department of Energy, State of Illinois and Ford Motor Company. Ford's contribution included \$500,000 worth of system orders. The funds were used to develop and commercialize the technology.

Over the last five years, the Company has worked to show Ford the benefit of the Force Modulator system. Through a series of reliability tests Ford determined that the FM system has reduced line down-time by 80%, reduced defective parts by 80%, increased the average stroke rate by 3 strokes per minute, and sharply reduced the shock to the press. In total, Ford estimates that the FM is saving Ford approximately \$1.50 to \$2.00 per part. Within the next 60 days, an article will be published in an industry journal including the Ford data.

MC² recently received notification from Ford that they will be instituted into the Ford Die Standards manual for all new dies systems and will be receiving a vendor ID number, which will enable MC² to be a direct vendor for Ford. Within the next 60 days, Ford will have five more FM systems online.

Funding Request

The current round of funding will be approximately \$500,000. The Authority will contribute up to \$100,000, AAVIN will contribute \$300,000 and the founders will contribute \$100,000. The funds will be used to continue commercialization efforts, allow the Company to begin internalizing some of the design work, and continue expansion into Ford, GM, and Chrysler. To date, MC² has purchase orders totally \$1,300,000 YTD vs. a budget of \$1,800,000. MC² now estimates that they will have sales totaling approximately \$2,200,000 with a net income of approximately \$150,000, a 400% increase in sales over last year.

Market Opportunity

High Strength Steel (HSS) is the next major opportunity for MC². The FM technology is the only technology that will permit the controlled forming of HSS. A test-bed for Chrysler is currently being negotiated. If successful, Chrysler has indicated that they will place 50 orders in the coming year. Additionally, the Company has just received its first system order from GM, in which GM is expecting to save approximately \$24 million over the life of the die.

Risks

While the outlook is positive for MC², there are still several risks. Key identified risks include workflow, financial difficulty with Smedberg Machine (MC²'s die designer), and cash flow. Smedberg Machine, the inventor of the technology and lead system designer/installer of the FM system, has been experiencing financial difficulties due to the recession. To date, MC² has been operating under Smedberg on all of the Ford contracts. The funds raised in this round will be used to internalize the design work, as well as to explore outsourcing it to other die designers. Additionally, MC² will be receiving a vendor number from Ford, which is expected to further reduce the Company's dependency on Smedberg.

The second key issue is cash flow. Due to delays in payments of the DOE grant, the Company is operating under extremely tight cash conditions. The Company's CEO has been both deferring his salary and making loans to the Company as necessary to sustain operations.

The final concern is with workflow. As MC² continues to make market traction, the Company is in danger of not being able to handle the design and installation of systems. MC² is in the process of both internalizing some of the design work, as well as working with several die houses to contract out the design work.

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY**

Applicant(s): Wesson, Kent

May 18, 2004

Project Number:	A-DR-GT-TX-420	Loan Amount:	
	\$500,000		
Type:	Agriculture Debt Restructuring	Staff Contact:	David Wirth
Location(s):	Leland IL, DeKalb County	Est fee:	\$2500
Lender :	Farmers State Bank Somonauk IL		

IFA CONTRIBUTION and BOARD ACTION

Final Approval
Guaranteed Loan at 85% of Principal and Interest
State of Illinois Treasury Funds at risk; no IFA funds at risk
Staff recommends approval
Farm visit: to be conducted

PURPOSE

Refinance operating loan carryover and existing IFDA guaranteed loan.

Farmers State Bank (IFDA term loan)	\$219,000	3.75%
Farmers State Bank (operating loan)	\$281,000	6.25%
Average interest rate = 5.15%		

COLLATERAL

Second lien on 268 acres farmland with buildings. Value \$1,540,000
First lien on farmland of \$250,000 to Farmers State Bank
(plus second lien on machinery and equipment – approx. 250,000 equity)
Loan to Appraised Value $(\$250,000 + \$500,000) / \$1,540,000 = 49\%$

REPAYMENT TERMS

20 year year amortization, monthly payments
Initial interest rate 4.875%,
then adjusted annually to 325bp over the 1 year Treasury CMT

2004 CASH FLOW SOURCES

Grain farm 866 acres
Beef cattle finishing 600 – 800 head, small hog operation

FINANCIAL INFORMATION

Balance Sheet	<u>1/31/03</u>	<u>12/31/02</u>	<u>12/31/01</u>
Assets:	\$2,890,735	\$2,427,327	\$
Liabilities:	\$2,178,016	\$1,713,732	\$
Net Worth:	\$ 712,719	\$713,595	\$
Debt/Asset:	75%	71%	%

Income Statement	<u>2003</u>	<u>2002</u>
Gross Farm Returns	\$556,352	\$472,569
-Depreciation	\$74,807	\$60,968
-Interest	\$118,527	\$113,049
-Production Expenses	\$344,380	\$375,536
=Net Farm Income	\$18,638	(\$76,984)
+Wages	\$36,347	\$34,487
+Capital Gain	(\$2,117)	\$13,729
+Other Income	\$3,844	\$1,776
Total Income	\$56,712	(\$26,992)

Interest Exp as a % of farm returns	21%	24%
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Debt Repayment Ability (Projected)

Gross Farm Receipts	\$525,000
Non-farm Income	<u>\$35,000</u>
Total revenue	\$560,000
Production expenses	\$359,000
-Living Expenses & taxes	\$35,000

Capital & Term debt repayment capacity (CDRC)	\$166,000
-Interest Payments	\$116,000
-Principal Payments	\$40,000
-Capital Expenditures	\$0

CDRC Margin = 6%	\$10,000

PROJECT SUMMARY

This project is a \$500,000 Ag debt restructuring guaranteed loan. (\$500,000 is the maximum in this program.) Traditional farm with hogs, beef and row crop production. Refinancing will improve cash flow and allow time to make needed improvements or an orderly dissolution of the business.

Real estate mortgage makes this loan very safe.

Cash flow and profitability need to improve to assure future success of the business.

RECOMMENDATION

Approve, no extraordinary terms

LEGISLATIVE DISTRICTS

Congressional:	14
State Senate:	35
State House:	70

ILLINOIS FINANCE AUTHORITY

Memorandum

To: IFA Board of Directors
From: Laura Lanterman
Date: May 18, 2004
Re: Overview Memo for Beginning Farmer Bonds

- **Borrower/Project Name:** Beginning Farmer Bonds
- **Locations:** Throughout Illinois
- **Board Action Requested:** Final Bond Resolutions for each attached project
- **Amounts:** amounts up to \$250,000 maximum of new money for each project
- **Project Type: Beginning Farmer Revenue Bonds**
- **IFA Benefits:**
 - **Conduit Tax-Exempt Bonds** – no direct IFA or State funds at risk
 - **New Money Bonds:**
 - convey tax-exempt status
 - will use dedicated 2004 IFA Volume Cap set-aside for Beginning Farmer transactions
- **IFA Fees:**
 - One-time closing fee will total 1.50% of the bond amount for each project (\$6,975 combined for Final Bond Resolutions, as proposed)
- **Structure/Ratings:**
 - Bonds to be purchased directly as a nonrated investment held until maturity by the Borrower's Bank
 - The Borrower's Bank will be secured by the Borrower's assets, as on a commercial loan
 - Interest rates, terms, and collateral are negotiated between the Borrower and the Participating Bank, just as with any commercial loan
 - Workouts are negotiated directly between each Borrower and Bank, just as on any secured commercial loan
- **Bond Counsel:** Jenner & Block, Chicago; Paula Goedert

Voting Records – Preliminary Bond Resolutions for all projects – April 20, 2004:

Ayes: 10 Nays: 0 Abstentions: 0
Absent: 3 (Leonard, Rendleman, Valenti) Vacant: 2

BEGINNING FARMER BOND LOANS
Previously Approved Projects for Bond Resolution
May 18, 2004

Project Number: A-FB-TE-CD-413
Borrower(s): Brent Vanhovel and Kyria Vanhovel
City: El Paso
Amount: \$108,000
Use of Funds: Farmland
County: Vermilion
Lender/Bond Purchaser: Flanagan State Bank, El Paso

Project Number: A-FB-TE-CD-414
Borrower(s): William R. Clothier
City: Polo
Amount: \$250,000
Use of Funds: Farmland
County: Ogle
Lender/Bond Purchaser: Forrester State Bank

Project Number: A-FB-TE-CD-415
Borrower(s): Matthew Blum
City: Polo
Amount: \$107,000
Use of Funds: New Buildings
County: Ogle
Lender/Bond Purchaser: Forrester State Bank

ILLINOIS FINANCE AUTHORITY

MEMORANDUM

To: IFA Board of Directors

From: Rich Frampton

Date: May 18, 2004

Re: Resolution to Execute and Deliver Amendments to Trust Indenture, Loan Agreement, and Revised Tax Exemption Certificate (A.E. Staley Manufacturing Co. Project)

A.E. Staley Manufacturing Co. ("A.E. Staley") is requesting approval of Execution and Delivery of (1) a 1st Supplemental Indenture of Trust, (2) a First Amendment to Loan Agreement, and (3) a Tax Exemption Certificate and Agreement.

Additionally, the Original Series 1985 Trust Indenture specified a Final Maturity Date of 12/1/2005. The proposed Resolution will allow the Company to extend the Final Maturity Date to 12/1/2016 subject to Bondholder consent.

Use of Original Series 1985 Bonds: Construction and equipping of air and water pollution control facilities at A.E. Staley's corn processing facility located at 2200 E. Eldorado St., Decatur (Macon County), Illinois.

Bondholder Security: Direct Pay Letter of Credit from Rabobank, International (New York Branch). Rabobank is secured by a general corporate guaranty from A.E. Staley and its parent (Tate and Lyle, PLC).

Staff Recommendation: Staff recommends approval of Resolution.

Financing Team:

Company:	A. E. Staley Mfg. Co.	Decatur, IL	
Bond Counsel/ Tax Counsel:	Chapman and Cutler, LLP	Chicago	Lee Boye
LOC Bank:	Rabobank, International (New York Branch)	New York, NY	
Remarketing Agent:	Sterne Agee & Leach, Inc.	Montgomery, AL	Andy Whitehead
Bond Trustee/ Tender Agent/ Paying Agent:	JPMorgan Corporate Trust		

RESOLUTION

A RESOLUTION AUTHORIZING THE EXTENSION OF THE MATURITY OF \$7,500,000 ILLINOIS DEVELOPMENT FINANCE AUTHORITY ADJUSTABLE TENDER POLLUTION CONTROL REVENUE BONDS (A. E. STALEY MANUFACTURING COMPANY PROJECT) SERIES 1985; THE EXECUTION AND DELIVERY OF A FIRST SUPPLEMENTAL INDENTURE OF TRUST; THE EXECUTION AND DELIVERY OF A FIRST AMENDMENT TO LOAN AGREEMENT; THE EXECUTION AND DELIVERY OF A TAX EXEMPTION CERTIFICATE AND AGREEMENT; AND RELATED MATTERS.

WHEREAS, the Illinois Finance Authority (the "Authority"), is a body politic and corporate organized and validly existing under and by virtue of the laws of the State of Illinois, including without limitation the Illinois Finance Authority Act, 20 ILCS 3501/801-1 *et seq.* (the "Act"); and

WHEREAS, the Illinois Development Finance Authority ("IDFA"), pursuant to a Resolution duly adopted by IDFA on December 11, 1985, authorized the issuance and delivery of its Adjustable Tender Pollution Control Revenue Bonds (A. E. Staley Manufacturing Company Project) Series 1985 (the "Bonds") in the aggregate principal amount of \$7,500,000 for the purpose of financing costs of air and water pollution control facilities (the "Project") at the corn processing plant of A.E. Staley Manufacturing Company (the "Company") located at 2200 East Eldorado Street, Decatur, Illinois; and

WHEREAS, the Bonds were issued by IDFA on December 18, 1985 in the aggregate principal amount of \$7,500,000 pursuant to an Indenture of Trust, dated as of December 1, 1985 (the "Original Indenture"), by and between IDFA and Mellon Bank, N.A. (now J. P. Morgan Trust Company, National Association, as successor), as trustee (the "Trustee"), for the purpose of financing costs of the Project, and in connection therewith IDFA entered into a Loan Agreement, dated as of December 1, 1985 (the "Original Agreement"), with the Company pursuant to which IDFA loaned the proceeds of the Bonds to the Company and the Company agreed to make payments thereunder equal to the principal of, premium, if any, and interest on the Bonds when due; and

WHEREAS, pursuant to the Act, the Authority has succeeded to all of the rights, duties and obligations of IDFA, including all of the rights, duties and obligations of IDFA under the Original Indenture and the Original Agreement; and

WHEREAS, Section 2.01 of the Original Indenture and the Bonds provide that the Bonds shall mature on December 1, 2005; and

WHEREAS, the Company desires to amend the Original Indenture and the Bonds to provide that the Bonds shall mature December 1, 2016; and

WHEREAS, pursuant to the terms and conditions of Section 12.03(a)(i) of the Original Indenture, the Authority and the Trustee are permitted to enter into the First Supplemental Indenture (hereinafter defined) amending the Original Indenture for the purpose of changing the time of payment of the principal of the Bonds only with the consent of the owners of all of the Bonds; and

WHEREAS, the First Supplemental Indenture also amends the qualification requirements of the Remarketing Agent contained in the Original Indenture; and

WHEREAS, it is anticipated that the owners of 100% in aggregate principal amount of the Bonds will give their written consent to the execution of the First Supplemental Indenture and, in reliance on such consent, the Trustee has agreed to enter into the First Supplemental Indenture; and

WHEREAS, Section 12.05 of the Original Indenture provides that a supplemental indenture for the purposes expressed in the First Supplemental Indenture shall not become effective unless and until the Company and the Bank, as defined in the Original Indenture, now Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., "Rabobank International," New York Branch, as provider of the Letter of Credit currently securing the Bonds, shall have consented to the execution of such supplemental indenture; and

WHEREAS, the Company and the Bank have agreed to give their written consent to the execution and delivery of the First Supplemental Indenture; and

WHEREAS, Sections 5.01 and 10.01 of the Original Agreement provide the Company's payment obligations with respect to the Bonds, and it is necessary and advisable that the Authority and the Company enter into the First Amendment (hereinafter defined) in order for the Company to acknowledge that such payment obligations are extended as a result of the maturity extension of the Bonds; and

WHEREAS, pursuant to the terms and conditions of Section 11.04 of the Original Agreement and Section 12.07 of the Original Indenture, the Authority shall not enter into, and the Trustee shall not consent to, any modification or amendment of the Original Agreement which delays the times of payment of the amounts required to be paid by the Company under the Original Agreement relating to payment of interest, premium, if any, or principal on the Bonds without the consent of the holders of all Bonds then outstanding; and

WHEREAS, it is anticipated that the holders of 100% in aggregate principal amount of the Bonds will consent to the modification and amendment of the Original Agreement by the First Amendment and, in reliance thereon, the Trustee has agreed to consent to a modification and amendment of the Original Agreement by the First Amendment; and

WHEREAS, Section 12.07 of the Original Agreement provides that any modification or amendment of the Original Agreement for the purposes expressed in the First Amendment shall not become effective without the consent of the Bank; and

WHEREAS, the Bank has agreed to give its written consent to the execution and delivery of the First Amendment; and

WHEREAS, in connection with such desired amendments and modifications, there has been prepared and presented at this meeting the following documents:

1. The form of the First Supplemental Indenture of Trust (the "First Supplemental Indenture"), by and between the Authority and the Trustee, amending the Original Indenture; and
2. The form of the First Amendment to Loan Agreement (the "First Amendment"), by and between the Authority and the Company, amending the Original Agreement; and
3. The form of the Tax Exemption Certificate and Agreement (the "Tax Agreement"), to be dated the effective date of the extension of the maturity of the Bonds, among the Authority, the Company and the Trustee; and

WHEREAS, pursuant to reasonable published notice, a public hearing on the proposal to extend the maturity of the Bonds was held by a designee of the Executive Director of the Authority on May 14, 2004, and all who desired to do so were given the opportunity to express their views with respect to such proposal;

NOW, THEREFORE, Be It Resolved by the Members of the Illinois Finance Authority, as follows:

Section 1. That, in order to provide for the Bonds to mature December 1, 2016, and to accomplish certain other purposes, as expressed in the preamble hereto, the First Supplemental Indenture, in substantially the form presented at this meeting and containing substantially the terms and provisions set forth therein, is hereby authorized and approved, and the Chairman or the Executive Director and the Secretary or Assistant Secretary of the Authority are hereby authorized and directed to execute, attest, seal and deliver the First Supplemental Indenture, with such changes therein as shall be approved by the individuals executing the First Supplemental Indenture on behalf of this Authority, such execution thereof to constitute conclusive evidence of such approval of any and all such changes.

Section 2. That the First Amendment, in substantially the form presented at this meeting and containing substantially the terms and provisions set forth therein, is hereby authorized and approved, and the Chairman or the Executive Director and the Secretary or Assistant Secretary of the Authority are hereby authorized and directed to execute, attest, seal and deliver the First Amendment, with such changes therein as shall be approved by the individuals executing the First Amendment on behalf of the Authority, such execution thereof to constitute conclusive evidence of such approval of any and all such changes.

Section 3. That the Tax Agreement in substantially the form presented at this meeting and containing substantially the terms and provisions set forth therein, is hereby authorized and approved, and the Chairman or the Executive Director of the Authority is hereby authorized and

directed to execute and deliver the Tax Agreement, with such changes therein as shall be approved by the individual executing the Tax Agreement on behalf of the Authority, such execution thereof to constitute conclusive evidence of such approval of any and all such changes.

Section 4. That the Chairman, the Executive Director, the Secretary or Assistant Secretary of the Authority are hereby authorized and directed to execute, attest, seal and deliver any and all documents and do any and all things necessary to effect the reissuance of the Bonds through the extension of the maturity date thereof, the execution and delivery of the Tax Agreement, the First Amendment and the First Supplemental Indenture and to effectuate the changes and modifications contained therein (including the filing of an information return on Form 8038 with the Internal Revenue Service), and to carry out the intent and purposes of this Resolution, including the preambles hereto.

Section 5. That all acts and undertakings of the officers, employees and agents of the Authority which are in conformity with the purposes and intent of this Resolution and all actions taken to provide for the publication of notice of the public hearing described in the preambles hereto and of the time and place of this meeting are hereby ratified, approved and confirmed.





Section 6. That the provisions of this Resolution are hereby declared to be separable and if any section, phrase or provision shall for any reason be declared to be invalid, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions.

Section 7. That any other resolution, order or other action in conflict herewith is hereby repealed to the extent of such conflict.

Section 8. That this Resolution shall be in full force and effect upon its passage, as by law provided.

Adopted May 18, 2004.

TDB Portfolio Companies

	<p>AccelChip, Inc., founded in 2000 and headquartered in Milpitas, Calif., develops and markets design tools that enable true, top-down Digital Signal Processing (DSP) design. AccelChip's radically different Electronic Design Automation (EDA) solutions provide the industry's first link from DSP to FPGA design environments, taking DSP algorithm developers from MATLAB to FPGA implementation automatically.</p> <p>Visit AccelChip on the web at www.accelchip.com</p>
	<p>ClearStack, founded in 1998 and located in Springfield, has developed a novel three-stage combustion technology aimed at coal-fired electric utilities and industrial boilers that will significantly reduce air emission pollutants to meet the US EPA emission guidelines that begin in 2003 and 2004. The technology will have installation on operating costs that are 25-40% lower than competing solutions.</p> <p>Visit ClearStack on the web at www.clearstack.com</p>
	<p>Cobotics, Inc., founded in 1995 and located in Evanston, develops and produces robotic products that enable production line workers to move payloads more naturally and more efficiently than with traditional devices. These products add value for their users by <i>increasing</i> production while <i>decreasing</i> the costs associated with worker injuries and component collisions. Cobotics was sold to Stanley Assembly Technologies in 2003. IFA has exited this investment.</p> <p>Visit Stanley-Cobotics on the web at www.cobotics.com</p>
	<p>Delivery Station, Inc., develops and commercializes a network of automated, unmanned facilities to provide 24-hour handoff of merchandise from sellers to buyers. Delivery Stations proprietary software and hardware centrally control remote facilities which receive individual shipments of merchandise or hard copy documents; hold each shipment secure until authorized recipients arrive; grant access; and document receipt. Delivery Station has ceased operations.</p>

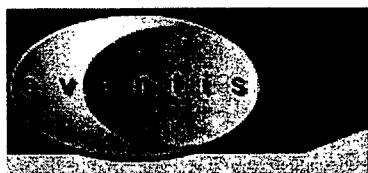


DISTRIBUTED BITS LLC

Distributed Bits, founded in 1996 and located in Chicago, develops inbound e-mail management products. Its flagship product, ResponseNow, is an integrated inbound e-mail management system that helps companies manage and respond quickly to large volumes of e-mail inquiries initiated by customers. In September 1998, the company announced that it will be acquired by First Virtual Holdings Inc. (NASDAQ: FVHI), supplier of advanced messaging systems for Internet commerce. IFA has exited this investment. Visit Distributed Bits on the Web at www.dbits.com



Epigraph Inc., is an enterprise software company whose product provides infrastructure designed to make the deployment and management of complex websites more efficient and less costly. Epigraph's solution offers significant time and money savings over existing methodologies and allow IT staff to focus on value-added activities rather than web-site upkeep. This is accomplished through the break down of websites into individual "cells" that are easily managed, updated, and deployed. Epigraph has ceased operations.



Founded as MortgageBankingCenter.com, Evantis is a business-to-business online mortgage bank serving more than 730,000 residential Realtors, Evantis makes the home buying process easier for you and your clients. Evantis provides the first integrated system designed to combine the real estate brokerage with the finance industry. Evantis is the nation's first home buying one-stop-shop, offering you point-of-sale mortgage underwriting capabilities and unlimited access to a variety of mortgage products and services. Visit Evantis on the Web at www.evantis.com



firefly®
energy

Firefly Energy, a Peoria-based spin out of Caterpillar, is developing a next generation lead acid battery technology which delivers the performance associated with advanced materials (Nickel Metal Hydride & Lithium) at a 1/10th the cost by utilizing the existing lead acid battery infrastructure. Visit Firefly on the Web at www.fireflyenergy.com



Forest One provides web-based remote sensing solutions that enable efficient timberland management, appraisal, harvest and marketing. Every Forest One product is based on industry experience and developed with the assistance of our customers: forest owners, foresters, timber buyers and departments of natural resources. Visit ForestOne on the Web at www.forestone.com



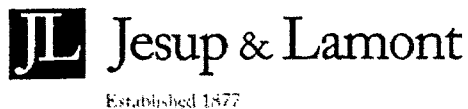
goReader, Inc. is committed to improving and enhancing the learning experience for students. It is the first and only e-book company to offer electronic content on a portable device specifically designed for the education market. goReader conversion services provide publishers with an efficient, accurate and cost-effective means of converting traditional printed content of various formats into Open Ebook (OEB)/XML. goReader secures publishers' content and prevents copyright infringement and piracy through its unique digital rights management solution. GoReader has ceased operations.



Harmonic Vision, Inc. is a leading music education software developer, whose mission is to apply computer technology to significantly enhance the effectiveness of music education in the home, the school, and the studio. By creating engaging and effective music education software that is affordable and widely available, including the popular MusicAce software, Harmonic Vision hopes to increase the number of individuals who enrich their lives by developing a basic ability to understand, appreciate, and perform music. Visit Harmonic Vision on the Web at www.harmonicvision.com

Influx, Inc.

Influx is an early stage biotechnology company that was founded to discover and develop innovative therapies that, when given in combination with current antimicrobial treatments, inhibit resistance mechanisms and effectively treat drug resistant infections. Currently, Influx has three technology platforms: Bactericidal potentiators, efflux inhibitors, and anti-biofilm compounds. Visit Influx on the Web at www.influxpharma.com



Vcapital, a division of Jesup & Lamont, helps entrepreneurs through the capital-raising process and provides targeted, quality deals to its network of investors. vcapital also equips the venture capital community with the tools needed to make the investment process and business development easy and efficient. These tools include a clearinghouse that provides valuable, direct industry connections; a supportive community based on common experiences; the latest market news across the globe; and access to a high-quality network of professional service providers. In 2001, Broadmark Capital purchased vcapital and in 2002, Jesup & Lamont, an financial services provider, purchased vcapital. Visit Jesup & Lamont on the Web at www.jesuplamont.com



Metalforming Controls Corporation (MC²), located in Cary, IL, has developed the Force Modulator system to address a number of problems inherent in the production of metal parts by draw presses, which are used extensively by the automotive manufacturers to form body parts, various motor parts and gas tanks, as well as by a number of other industries. During the process of Stretch Forming metal, a hydraulic holding system reduces press damage, down time, defective parts and increases productivity versus nitrogen holding systems.

Visit Metalforming on the Web at www.metalformingcontrols.com



Headquartered in Chicago, MOBISTRAC offers a unique database engine and industry standard APIs that enable the rapid creation and deployment of next-generation location and time based mobile resource management services for fleet, mobile workforce, and mobile commerce applications. MOBISTRAC's product, patent pending, was developed at the University of Illinois Chicago with research and development funding from the National Science Foundation and the Army Research Labs.

Visit Mobitrac on the Web at www.mobitrac.com



NETZilient is a truly unique company built around keeping users of Information Technology (IT), and networks and systems they depend upon "up and productive". The Company's flagship product, LANturion, enables "self-healing" of a company's Information Technology problems. LANturion is a turnkey management solution appliance that allows customers to achieve real ROI without expensive delays, training, or costly professional services. The Company's vision is to provide intelligent products and services that increase efficiency and enhance the ability for organizations to adopt and benefit from new technologies. NetZilient has ceased operations.

Visit NetZilient on the Web at www.netzilient.com



Neodesic Corporation developed high value, practical software solutions using knowledge and interaction technology. The company's first product was a Sales Force Automation Product that uses Artificial Intelligence to allow sales staff and marketing organizations to access information critical to the sales process at the right time and process step. Neodesic has ceased operations.

NephRx

NephRx, located on the campus of Western Michigan University in Kalamazoo, Michigan and with ties to the University of Chicago, is focused on developing growth factors for both gastro-intestinal (GI) and renal diseases. The company's lead product in development is a peptide (WGFP) that, in animals with ARF (acute renal failure), reduces mortality rates and accelerates return of normal renal function. There is an agreement in place with a major pharmaceutical company to develop the peptide for use in humans.

Visit NephRx on the Web at www.nephrxcorp.com

Neuroinautics

Neuroinautics, Inc. (NNI) specializes in the diagnosis and treatment of Alzheimer's Disease (AD). The company believes that its treatments could potentially stop the progression of the disease, leading to years of additional, quality life for those afflicted. NNI has licensed the only *in vitro* method to produce tau tangles under laboratory conditions. This technology gives them the ability to test and identify potential drug compounds for the treatment of tau tangles (patents filed on testing process).



OPEN CHANNEL SOFTWARE
OPEN SOURCE SOFTWARE FROM ACADEMIC & RESEARCH INSTITUTIONS

The Open Channel Foundation publishes innovative and technically advanced software solutions in an open source format. We provide value by consolidating libraries of significant academic and research oriented software into Discipline areas and helping to develop active user communities. For those programs that demonstrate sufficient commercial interest, OCF provides the investment and support services required to successfully market the solution. The Open Channel Foundation is one of two entities operated by Open Channel Software. The non-profit "Foundation" focuses on publishing open source programs, while a for-profit "Commercial Engine" takes the high-demand software into the commercial arena.

Visit Open Channel on the Web at www.openchannelsoftware.com



Perceptual Robotics is the pioneer and recognized market leader in Telepresence technology. With its flagship product, the TrueLook software system, PRI provides the visual operating system for Internet E-business. TrueLook mediates between Internet users and visual resources on the network, including live cameras, video / photo databases, and tools for using and sharing pictures and video. Through PRI's TrueLook software solutions, users interact with telerobotic web cameras to view whatever they'd like, just as if they were actually present in that place. Users receive high-end JPEG images within seconds, even over lower-bandwidth modems. In 2002, Perceptual was sold to Divine, Inc. IFA has exited this investment. Visit Perceptual Robotics on the Web at www.perceptualrobotics.com



Founded in 2000, PreviewPort is an online author center using content and distribution to serve the electronic marketplace. The company aggregates exclusive content by hosting interactive websites for leading authors and securing exclusive electronic publishing rights to their works; maintains the largest digital International Author Index; and licenses its International Author Index and interactive author data through institutional partners to libraries and bookstores. PreviewPort ceased operations.



ProofSpace™, Inc. designed ProofMark™ to perfect the electronic documentation process, withstanding audit and minimizing risk. A ProofMark certificate is analogous to ink on paper - yet stronger. With a ProofMark certificate attached to an online transaction or event, any alteration, no matter how small or how masterful, can be detected. No question - proof is required in the digital world. ProofMark software offers irrefutable proof of the what, the when and the who with a combination of innovative technologies and approaches. ProofSpace is no longer in operation.



SmartSignal makes a microprocessor-based monitoring and detection engine that provides the earliest possible warning of problems in equipment and industrial processes resulting in improved reliability and availability. Originally developed for the nuclear power industry, SmartSignal's software enhances the performance of monitoring and control systems by providing early warning of problems in equipment and sensors. Today, virtually any sensor-based system - in any number of industries, can be improved with SmartSignal technology. Visit SmartSignal on the Web at www.smartsignal.com



Stonewater Software has used its ability to understand our clients' complex information needs to deliver easy-to-use applications. The Stonewater team combines over 50 years of utility experience to provide state-of-the-art energy management solutions. Stonewater's flagship product, energy1st, provides communications capability, combined with Stonewater's expertise in energy curtailment, flexible rate/rider-based billing and rate comparison software, to bring you the most powerful and advanced suite of energy services available on the market today. Visit Stonewater on the Web at www.stonewatersoftware.com



TouchSensor Technologies designs and manufactures patented digital keypad sensors for use in appliance, commercial, industrial and consumer products requiring touch input. TouchSensor's keypad sensors offer many advantages over capacitive, infrared, membrane or electromechanical switches. They are more durable ... they can operate through contaminants ... they function over a wide range of temperature and humidity levels ... and they provide industrial designers with more product design flexibility. IFA has exited this investment. Visit TouchSensor on the Web at www.touchsensor.com





ShopTalk NetworksSM develops VoiceXML-based software and applications that provide a speech-enabled telephone interface for customer communications. Leading enterprise clients use ShopTalk Networks to cut customer communications costs and enhance customer relationships. Modules like order status, replenishment, and frequently asked questions provide the next generation of self service and redefine the way companies use the phone. With breakthrough technology and industry-leading experience, ShopTalk Networks has built feature-rich, scalable applications that can be rapidly deployed. The use of VoiceXML leverages clients' existing web infrastructure to integrate existing databases and business applications with ShopTalk Networks. ShopTalk is no longer in operation. Visit ShopTalk on the Web at www.shoptalknetworks.com



UserActive, Inc. specializes in providing IT training through their proprietary "IT Sandbox" tools. The Company is uniquely positioned to provide IT training in sophisticated programming skills without risking file or hardware corruption to the students' personal computing devices. Learning in this protected environment helps the student create meaningful applications while enhancing their professional capabilities. UserActive's emphasis on the process of learning is reflected in the "Learn by Doing" approach found in all of their courses. Upon completion of the six basic programming modules, UserActive students earn a Certificate of Professional Development from the University of Illinois. Visit UserActive on the Web at www.useractive.com



VideoHomeTours.com is a rapidly growing nationwide provider of multimedia marketing services. The Company provides interactive, multimedia tours of homes and commercial properties as a services to realtors and developers. The Company's exclusive methodology ensures that every tour meets the highest measure of quality and consistency, using patented motion stabilization technology, wide-angle lenses, and all digital imaging and production.

	<p>Visit VideoHomeTours on the Web at www.videohometours.com</p>
	<p>WanderOn is an online B2B (business to business) sports marketplace that connects manufacturers, distributors and retailers in a way that streamlines their commerce and communication, helping them do business to improve their success. The WanderOn solution is to create substantial efficiencies and cost savings by streamlining and standardizing the bicycle industry transaction flow. IFA has exited this investment.</p>
	<p>Founded in 2002 and based in Chicago, zuChem, Inc., manufactures and sells chemical products. The Company focuses on developing new processes for the production of glycochemicals (complex sugars). Its first products are varieties of sugar polyols used as a food and pharmaceutical ingredients. Other products include variations of carbochemicals, monosaccharides and oligosaccharides.</p> <p>Visit zuChem on the Web at www.zuchem.com</p>

**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's 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	TD
		Pollution Control	PO	Fund to Funds	FF
		Coal Fired Power Plants	CF	Guaranteed	GT
Business	B	Loans	LL		
		Rural Devel Loan	RD		
Agriculture	A	Young Farmer Guarantee	YF		
	A	Specialized Livestock Guar	SG		
	A	Restructuring Ag Debt Guar	DR		
	A	Ag Industry	AI		
	A	Beginning Farmer Bond	FB		
	A	Beginning Farmer Contract Bond	CB		
Venture Capital	V				
Education/Cultural	E	Private School	PS		
		Private College	PC		

Market	Market Code	Submarket	Submarket Code	Type of Product	Type Code
		Private Foundation	PF		
Local Government	L	Local Gov. Obligation	GO		
		Local Gov. Pooled Bond	GP		
		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		
		Assisted Living	AL		
		Nursing Home	NH		
		Senior Living	SL		
		Community Provider	CP		
		Health Facility	HF		
		Medical Schools	MS		
Other non-profits	N	Other types of non-profits	NP		

HUD Cap on Section 8 Payments Could Undermine Bond Market's Confidence

By Matthew Vadum

WASHINGTON — If the U.S. Department of Housing and Urban Development's recent decision to cut costs by capping Section 8 voucher payments at August 2003 levels remains in place, the tax-exempt bond market could lose faith in the rent-subsidy program, which typically makes up half of HUD's annual budget, municipal market participants said yesterday.

The department expects fewer than half of the nation's 2,500 public housing authorities to be adversely affected by the decision, but the new policy is already causing headaches for many authorities, which in some cases are considering freezing or scaling back assistance to tenants. The development is also important because Section 8 funds are sometimes used to leverage multifamily housing bond transactions.

The new policy came months after the Bush administration proposed a major revamp of the mammoth Section 8 rental-assistance voucher program. The president wants to convert it into a public housing authority-administered block grant program. Critics have said that making Section 8 into a block grant program will eventually lead to lower federal funding for it.

The new policy could also have an adverse long-term impact on the multifamily housing bond market, said Kurt van Kuller, a director at Merrill Lynch & Co.

"To the extent [that the reduced payments] are sustained and not offset by other measures taken by public housing authorities or HUD, the cutbacks in the voucher program would reduce the supply of renters that would be the customers of the low-income housing that bonds finance," van Kuller said.

The policy "could have a negative impact on the rental market for the low-income segment, that in turn could have a negative impact on the financials on bond-financed multifamily projects," he said.

Similarly, Anthony Freedman, a housing lawyer with Hawkins Delafield & Wood here, said the policy could threaten the long-term viability of the Section 8

program.

"It raises the question of how dependable the project-based voucher program is and in the long term how dependable any form of Section 8 payment is," said Freedman, who was a senior policy official at HUD during the Carter administration.

Judy Kennedy, president of the National Association of Affordable Housing Lenders, said her group has not been able to "size" the problems created by the policy yet, but added that she "can't believe that HUD meant to undermine the future of the Section 8 program."

"Over decades, more and more landlords accepted the vouchers and more private capital flowed into deals that had Section 8 involvement [but if the policy remains] there will much less income to support debt," she said.

The policy could lead to "lots of cancellations" of housing vouchers that low-income renters depend on to help them pay their rent, Kennedy said.

Some public housing authorities have already come to terms with the policy and are telling tenants that they will cease to collect assistance, she said.

Kennedy also criticized HUD. "To announce this action in the middle of the budget year is to fuel the worst fears about the reliability of a government contract," she said.

Although the impact of the decision, which HUD outlined in an April 22 memo, is difficult to quantify, it does not appear to affect current housing bond deals in the pipeline, according to sources.

Freedman said he knew of no specific transaction that would be affected but added that there may be some deals in the early planning stages into which the reliability of the Section 8 program would have to be factored.

Doug Turner, a financial adviser with Censeo in Birmingham, Ala., said the policy could make vouchers more difficult to use in bond deals.

"It could have a negative long-term effect on the usefulness of vouchers in a mixed finance deal, one that uses credit equity, debt, and subordinate debt," he said. □

ILLINOIS

DuPage Health Turns

Standard & Poor's this week downgraded **Central DuPage Health's** rating to AA-minus from AA in conjunction with its upcoming sale of \$240 million, through the **Illinois Finance Authority**.

Analysts cited Central DuPage's slightly weaker balance sheet, with an increase in leverage to 46%. The hospital will see a decline in the 117% pro forma cash to pro forma debt coverage ratio with the upcoming issue.

In its favor, Central DuPage holds a dominant market share in an affluent area west of Chicago, and its management has aggressively moved to address a fiscal 2003 operating loss. "The credit-quality profile is high and reflects the high credit-policy standards established by Central DuPage," said analyst **Brian Williamson**.

The proceeds of the \$240 million Series 2004 bonds will be used to fund \$190 million of the facilities enhancement plan for Central DuPage, which includes reimbursement of \$69 million for previously expended capital and \$37 million for the refunding of Series 1992 debt associated with Wyndemere Retirement Community.

— *Yvette Shields*

tem's rapid growth over the last three years will offset ongoing challenges," analysts wrote.

Resurrection in fiscal 2001 acquired four hospitals and five long-term care facilities. Resurrection operates a total of eight hospitals throughout northwest and western Chicago and the near suburbs. It had total operating revenue of nearly \$1.3 billion in fiscal 2003. West Suburban is located just west of Chicago in Oak Park.

— *Yvette Shields*

A Hospital on the Rise

Fitch Ratings on Monday put **West Suburban Hospital Medical Center's** BBB-plus on rating watch positive as a result of its acquisition by the more financially sound **Resurrection Health Care** and its pledge to guarantee West Suburban's debt.

West Suburban has about \$29 million of outstanding fixed-rate bonds from a 1999 issue and \$46 million of variable-rate bonds from the same issue. Resurrection recently informed rating analysts that it would finalize a guarantee on the bonds in early July in conjunction with the signing of a new letter of credit to secure the variable-rate bonds.

Fitch also affirmed its AA-minus rating on Resurrection's \$380 million of debt and revised its outlook to stable from negative. "The affirmation and stable rating outlook largely reflects Fitch's belief that benefits related to Resurrection Health Care's ... strong market share resulting from the sys-

Illinois Authority Approves Deals, Including Upscale Elder Care Center

By Yvette Shields

CHICAGO — The Illinois Finance Authority this week approved a handful of healthcare sector deals including \$500 million for Northwestern Memorial Hospital and up to \$225 million for a continuing care community to be housed in a highrise in an upscale Chicago neighborhood.

The Clare at Water Tower, a stand-alone credit affiliated with Franciscan Communities Inc. and Loyola University, received initial approval for its sale of variable and fixed-rate bonds to finance construction of a high-rise in Chicago's Gold Coast neighborhood. Ziegler Capital Markets Group is the underwriter and the bonds are not likely to price until early 2005, as the project is still in preliminary planning stages, Ziegler banker Steve Johnson said.

The project is unique in the continuing care sector because of its location in an affluent downtown area and its location in a highrise in which Loyola will use the first few floors. Potential residents for the independent living units must put up an initial entrance fee beginning at \$491,000 and face monthly fees beginning at \$2,395. The entrance fees for the assisted living units start at \$53,000 with monthly fees starting at \$4,995. Between 90% and 95% of the entrance fees are refunded when residents leave.

The project has attracted strong pre-construction interest with 37 applicants already putting down a 10% deposit to reserve a unit — a fact that should give the deal more market appeal.

The variable-rate debt would be repaid with entrance fees and the long-term bonds with the facility's revenues.

While some attendees at the board meeting privately questioned the need to provide such a facility for wealthy seniors, Johnson said the Franciscans' mission is to serve a broad cross-section of society. He also noted that the facility offers the only chance for some neighborhood seniors to remain in the area.

The board also approved a \$130 million

sale of State Revolving Fund bonds in the first sale since the state's inaugural revolving fund deal in 2002. Lehman Brothers is the senior manager and UBS Financial Services Inc. is the co-senior manager with Scott Balice Strategies acting as financial adviser and Chapman and Cutler as bond counsel. The deal is expected to price early next month, according to IFA officials.

The transaction structure is modeled after the 2002 bond sale of \$150 million and is expected to garner the same triple-A ratings from Fitch Ratings and Moody's Investors Service. The deal secured such high ratings primarily because of its use of a hybrid structure that permits the use of excess cash flow as well as reserves to provide coverage on debt service.

Chicago-based Northwestern received final approval for its sale of \$225 million of new money and \$260 million of refunding bonds set for early next month. J.P. Morgan Securities Inc. is the book-runner and UBS is co-senior manager. It will include a mix of fixed rate bonds going out 40 years and variable-rate securities with a 35-year final term. Jones Day is bond counsel.

The prestigious Chicago hospital carries a AA-plus from Standard & Poor's and an Aa2 from Moody's Investors Service. The refinancing portion of the transaction will refund fixed-rate bonds sold in 1994 and variable-rate bonds sold in 2002. The hospital has entered into two forward starting interest rate swap agreements to lock in present-value savings levels on the refunding of the 1994 bonds.

Alexian Brothers Health System also received final approval for its \$80 million new-money issue set for next week. The proceeds will finance several additional projects as part of a larger \$400 million five-year capital program for its facilities: the Chicago suburbs of Elk Grove Village and Hoffman Estates. The bonds will have a variable rate-structure and a lot of credit from Bank One, Merrill Lynch & Co. is the underwriter, Kaufman Haas is the financial adviser, and Jones Day is bond counsel.