

NOTICE OF MATERIAL EVENTS

Name of Issuer: Illinois Finance Authority

Name of Bond Issue: \$178,745,000
Illinois Finance Authority
Revenue Bonds (Monarch Landing, Inc. Facility)
Series 2007 A and Variable Rate Demand Series 2007 B

CUSIPs: See attached list

Name of Obligated Person: Monarch Landing, Inc.

Date of Issuance: December 27, 2007

Notice of Event of Default

As noted in a disclosure filing by Monarch Landing, Inc. (the "Corporation") dated August 12, 2009, the Corporation received a notice letter dated July 27, 2009 from M&T Bank, the Trustee under the Trust Indenture (the "Indenture") for the Series 2007 A Bonds and the Series 2007 B Bonds (collectively, the "Bonds"), advising that the Trustee had not received a monthly installment of interest in the amount of \$734,039.58 due on July 1, 2009 in respect of the Corporation's Series 2007 A Bonds as required pursuant to Section 3.02(d)(i) of the Loan Agreement for the Series 2007 Bonds. The Corporation also has not made the monthly installment of interest due on August 1, 2009.

The Trustee's July 27, 2009 notice of non-payment began a 30-day grace period in which the Corporation could make the July 1, 2009 payment and avoid the occurrence of an Event of Default under Section 9.01(b) of the Loan Agreement and Section 7.01(e) of the Indenture. The 30-day grace period has expired, the Corporation has not cured the breach and, as a result, an Event of Default has occurred and is continuing.

The occurrence of and continuation of an Event of Default under the Loan Agreement and the Indenture, unless waived, gives the Trustee the right to exercise various remedies, including but not limited to the right to accelerate the Bonds and declare them to be immediately due and payable. The Trustee is required to accelerate the Bonds upon the written request of the owners of not less than 25% of the outstanding Bonds unless the owners of not less than 50% of the Bonds direct the Trustee not to accelerate the maturity of the Bonds.

Engagement of Chief Restructuring Officer Services and Financial Adviser

The Corporation has engaged Healthcare Management Partners LLC for chief restructuring officer services. Michael Morgan, a Managing Director at Healthcare Management Partners LLC, will serve as Chief Restructuring Officer of the Corporation and David White, a Director at Healthcare Management Partners LLC, will serve as a Vice President of the Corporation. Mr. Morgan and Mr. White will lead the Corporation's review of alternatives in an effort to

restructure the Corporation's indebtedness and provide for a sustainable source of working capital. One of their first assignments will be the preparation of cash flow projections for the next 12 months.

The Corporation also has engaged Herbert J. Sims & Co., Inc., an investment banking firm with significant expertise and experience in the senior living industry, to assist the Corporation with Bondholder communications and outreach.

As part of its restructuring effort, the Corporation anticipates approaching the Trustee and holders of the Bonds in order to obtain a forbearance period that provides the Corporation with the time and flexibility to pursue a restructuring. There can be no assurance that the Corporation will obtain such an agreement on acceptable terms or at all or that the restructuring efforts will be successful.

Retention of Initial Entrance Fees

Under the Loan Agreement, the Corporation is required to deliver to the Trustee the initial entrance fees (the "Initial Entrance Fees") received upon the initial occupancy of a residential unit at the Corporation's continuing care retirement community (the "Facility") for deposit into a construction account controlled by the Trustee (the "Construction Account"). The funds in the Construction Account are to be disbursed by the Trustee first to replenish certain reserve accounts as required by the Indenture. If the reserve deposit requirements have been met, the Trustee then shall pay out of the Construction Account the remaining balance, if any, directly to the Corporation. The Corporation then is required to use such remaining balance, *first*, to pay amounts currently due and payable by the Corporation under the Bond Documents (as defined in the Indenture), including debt service on the Bonds, *second*, to pay the amount due and payable under any hedge agreement related to the Bonds, *third*, to repay any outstanding loans under the Line of Credit pursuant to which Naperville Campus, LLC ("Naperville") is obligated to make working capital loans to the Corporation from time to time, *fourth*, to pay Total Operating Expenses (as defined in the Indenture) currently due, to the extent Total Operating Expenses for the current month exceed estimated Total Operating Revenues (as defined in the Indenture) for the current month, and *fifth*, to make a loan to Naperville, the owner of the Facility, pursuant to the Community Loan Agreement, or, to the extent that Naperville has notified the Corporation that it does not want an advance of such Initial Entrance Fees under the Community Loan Agreement, to make other deposits or payments pursuant to the provisions of the Indenture. As noted in the Corporation's June 5, 2009 and June 23, 2009 disclosure filings, due to current economic conditions, the amount of Initial Entrance Fees available to the Corporation has been significantly below anticipated levels, which has resulted in working capital deficits. The Corporation is no longer receiving working capital advances from Naperville or its parent company, Erickson Retirement Communities, LLC ("Erickson"), and the Corporation does not know when, if ever, Erickson will resume working capital advances. As a result of the Corporation's working capital situation, it has begun to retain the Initial Entrance Fees rather than depositing such fees with the Trustee as required by the Indenture and the other Bond Documents.

Notice of Bondholder Call

The Corporation intends to host a conference call to discuss its financial situation and preliminary restructuring efforts live on Friday, September 11, 2009 at 3:00 p.m. EDT and will file a disclosure notice on the Electronic Municipal Market Access (EMMA) system on or about September 8, 2009 in order to provide dial-in information for the call, instructions on how to access any materials to be provided prior to or during the call, information regarding availability of replays of the conference call and other relevant information. Questions may be directed to Rod Rolett at Herbert J. Sims & Co., Inc., at (203) 418-9003.

Date: August 27, 2009

MONARCH LANDING, INC.

CUSIP LIST

45200FCQ0

45200FCR8

45200FCS6

45200FCT4

45200FCU1

45200FCV9