

## **REVISED NOTICE OF MATERIAL EVENT**

Date: January 16, 2009

Issuer: Illinois Housing Development Authority (the "Authority")

On May 18, 2001, the Authority and Ambac Assurance Corporation ("Ambac") entered into a Reimbursement Agreement, amended July 5, 2005, under which Ambac insures mortgage loans (the "Ambac Loans") on multi-family housing developments under the Authority's Mortgage Participation Certificate Program (the "Ambac MPC Program"). Ambac guaranteed repayment of principal and interest due on a timely or accelerated basis in accordance with the Reimbursement Agreement between the Authority and Ambac.

Pursuant to the Ambac MPC Program, the Authority issued certificates representing a participation interest in the Ambac Loans (the "Certificates") to certain holders (the "Holders"). As of July 31, 2008, the Authority had \$148,763,952 of aggregate principal amount of Certificates outstanding under the Ambac MPC Program. Of that amount, \$116,258,389 of Certificates were subject to a put right described in the following paragraph (the "Puttable Certificates").

In the event that Ambac no longer holds a "AAA" rating (or equivalent), from the three (3) rating agencies named in Paragraph 5 below, the Authority must secure a substitute guarantor that has a "AAA" rating from any nationally recognized rating agency within 60 business days after Ambac no longer holds a "AAA" rating, unless an extension to this period is agreed to by the Holder of the applicable Puttable Certificates. In the event that the Authority does not deliver a restored "AAA" rating by the end of such period, each of the Holders has the option to exercise a put right that would require the Authority to repurchase the Puttable Certificates held by such Holder within 10 business days (with respect to each Puttable Certificate, a "Put Right" and collectively, the "Put Rights").

The Puttable Certificates were held by two Holders. One (the "First Holder") held Puttable Certificates in the principal amount \$82,408,135 (the "First Holder Certificates"), and another (the "Second Holder") held the remaining \$33,877,255 of Puttable Certificates (the "Second Holder Certificates").

On January 18, 2008, Fitch Ratings downgraded its Insurer Financial Strength rating for Ambac from "AAA" to "AA" (which rating was subsequently withdrawn by Fitch on June 26, 2008 pursuant to Ambac's request); on June 5, 2008, Standard & Poor's downgraded its Insurer Financial Strength for Ambac from "AAA" to "AA"; and on June 19, 2008, Moody's Financial Service downgraded its Insurer Financial Strength for Ambac from "Aaa" to "Aa2."

On July 16, 2008, the Second Holder issued a letter to the Authority notifying the Authority that if the Authority was unable to find a substitute guarantor with the requisite "AAA" rating on or before September 12, 2008 that the Second Holder had the option to require the Authority to repurchase the Second Holder Certificates. Despite its best efforts, the Authority was unable to secure a substitute guarantor, and on September 18, 2008, the Second Holder notified the

Authority that it was exercising its option to require the Authority to repurchase the Second Holder Certificates by no later than September 26, 2008. On September 25, 2008, the Authority wired \$33,939,343.23 to the Second Holder, representing the unpaid principal balance of the Second Holder Certificates plus any accrued interest. The Second Holder executed a receipt for the funds acknowledging that all amounts due it for the Second Holder Certificates were paid and returned the original Second Holder Certificates to the Authority. The Authority now holds the full ownership interest of the mortgage loans that were the subject of the Second Holder Certificates.

On August 15, 2008, the Authority obtained an extension from the First Holder pursuant to which the deadline to obtain a substitute guarantor was extended until December 1, 2008. On November 7, 2008, the Authority notified the First Holder that, despite its best efforts, it would be unable to secure a substitute guarantor, and on November 20, 2008, the First Holder notified the Authority that it was exercising its option to require the Authority to repurchase the First Holder Certificates by no later than November 25, 2008.

On November 25, 2008, the Authority wired \$82,706,810.72 to the First Holder, representing the unpaid principal balance of the First Holder Certificates plus any accrued interest. The First Holder executed a receipt for the funds acknowledging that all amounts due it for the First Holder Certificates were paid and returned the original First Holder Certificates to the Authority. The Authority now holds the full ownership interest of the mortgage loans that were the subject of the First Holder Certificates.

The Authority is continuing to consider its options with respect to these mortgage loans, including but not limited to the following:

- (a) Retaining ownership of some or all of the mortgage loans that were the subject of the Puttable Certificates;
- (b) Using the mortgage loans to create new Mortgage Purchase Certificates and remarketing these Certificates to a new Holder; and/or
- (c) Refinancing the mortgage loans that were the subject of the Puttable Certificates in one or more of the Authority's programs.

No assurances can be made regarding the ultimate disposition of these mortgage loans.

Further information may be obtained from Robert Kugel, Chief Financial Officer, Illinois Housing Development Authority, 401 North Michigan Avenue, Suite 700, Chicago, Illinois 60611, (312) 836-5398.