

**MINUTES OF THE APRIL 18, 2008 MEETING OF THE DIVERSITY COMMITTEE
OF THE ILLINOIS FINANCE AUTHORITY**

The Diversity Committee (the "Committee") of the Illinois Finance Authority (the "IFA"), pursuant to notice duly given, held a Diversity Committee Meeting at 2:00 p.m., on April 18, 2008 via teleconference at the Illinois Finance Authority, 180 N. Stetson, Suite 2555, Chicago, Illinois:

Members participating by

phone:

Magda M. Boyles, Chair
Ronald E. DeNard
Michael W. Goetz
Juan B. Rivera

Members absent:

James J. Fuentes

Staff:

Kym M. Hubbard, Executive Director
Christopher B. Meister, General Counsel
Karen L. Walker, Director of Financial
Services
Carla B. Burgess Jones, Board Secretary

Other:

None

GENERAL BUSINESS

Call to Order and Roll Call

The meeting was called to order at 2:04 p.m. with the above members participating by phone. Secretary Burgess Jones requested that all participants on the call state their name.

Overview

Chairman Boyles asked Director Hubbard to provide an overview of the Authority's existing policy in terms of financing and procurement relative to minority participation.

Director Hubbard stated that what the IFA currently has is a policy that is incorporated into a Resolution (Resolution No. 2004-20) that was instituted by the board in 2004. The Resolution encourages the use of minority and female owned firms on financing transactions. Director Hubbard shared with the Committee that currently the one area that the IFA has the ability to control is the area of selecting Issuers Counsel on transactions that are brought to the Authority and, having the authority to control the selection process of appointing Issuers Counsel for financings, insures that the Authority remains in compliance not only with the previously noted Resolution but also in compliance with the Illinois General Assembly Statute's (Statute Reference 30 ILCS 575) public policy to increase the participation of minority and female businesses in the State of Illinois. Additionally, in the area of Issuers Counsel, about 32% of those appointed are minority represented firms.

Director Hubbard also shared with the Committee that the existing Resolution (Resolution No. 2004-20) does not include language that applies to the utilization of minority and female owned businesses in the areas of general procurement and professional services, which is an area that

needs to be strengthened. The Authority will take the necessary steps to begin the process of adopting a policy that incorporates general procurement and professional services as well as broadening the Authority's capacity to increase the inclusion of minority and female owned businesses on financings beyond the area of issuers counsel but, to also include underwriters, financial advisors, etc., and also to address ways for more accountability in those areas as they relate to minority and female participation.

Chair Boyles would like the committee to work to include both short and long-term goals for minority participation. Member Rivera was interested in how financing through the IFA would benefit the entire society. Member DeNard emphasized that the MBE/WBE efforts could be stronger and that the process at the Chicago Park District where he had experience could be a model. For example, opportunities for MBE/WBE firms could be asked on the IFA application.

There was a broad recognition by the Committee members that there was a delicate balance between a policy that borrowers could view as an imposition on their ability to select their own teams - and the Board's desire to encourage MBE/WBE participation much more strongly and with more accountability than the current Resolution or current staff efforts in the area. Member DeNard's experience with underwriters was that persuasion will not work. Chair Boyles wondered how pressure could be brought to bear on the underwriters and how teeth could be added to any goals. Chair Boyles added that staff buy-in was important, particularly with healthcare.

There was further discussion, primarily encouraged by Member Rivera, with respect to tying diversity results to staff compensation and reviews. Karen Walker stated compensation is a very sensitive issue at this time. Chair Boyles pointed out that it was staff's job to enforce board policy. However, Chair Boyles pointed out that further thought was needed on the issue and that it was perhaps not appropriate to bring staff into the diversity discussion at this time. Member DeNard concluded that because the diversity efforts of the committee were still in their infancy, it was too early to inject these concepts into a topic as sensitive as staff compensation.

Goals

Chairman Boyles stated that the Committee should consider establishing some short and long term goals for minority participation in the areas of procurement, professional services, staff participation, and meeting with senior management of financial institutions as well as other authorities to evaluate how the IFA should move forward. A detailed discussion ensued concerning this matter.

Next Steps / Action Items

The following is a recap of next steps and action items discussed by the Committee and IFA Executive Staff:

- (a) The Committee requested that the existing Resolution (Resolution No. 2004-20) be strengthened to explicitly incorporate services and products procured by the IFA and, insert additional language, where possible, to reflect the Board's renewed and expanded focus on minority participation, but stopping short of mandatory language or language that could be interpreted as reducing the borrowers choice of teams. Chris Meister, General Counsel, will prepare a draft to be discussed at the May 13, 2008 meeting of the Committee of the Whole.
- (b) IFA Executive Management will put together a list of companies working with the IFA that have procurement contracts – financial and otherwise.
- (c) IFA Executive Management will put together a short list of underwriters, and other financial institutions, that Chairman Boyles, Director Hubbard and Karen Walker will meet with.
- (d) Director Hubbard will meet with the Governor's Office to seek their input and insure consistency with their efforts with respect to a possible expansion of IFA policy with respect to minority participation in transactions.
- (e) Director Hubbard and/or Karen Walker will research what other Authority's have similar policies on minority participation, and how they are administered.
- (f) Research possible incentives for senior managing underwriting firms.
- (g) Explore possible performance standards for funding managers with respect to MBE/WBE participation in transactions.

OTHER BUSINESS

Chairman Boyles asked if there was any other business to come before the Committee. There being none. Upon a motion by Mr. Goetz and seconded by Mr. DeNard, the meeting adjourned at 2:51 p.m.

Respectfully Submitted,

Carla B. Burgess Jones, Secretary

