MINUTES OF THE JULY 18, 2011, MEETING OF THE ENERGY COMMITTEE 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 an Energy Committee (the "Committee") Teleconference Meeting at 3:00 p.m. on July 18, 2011, at the Chicago Office of the Illinois Finance Authority, 180 North Stetson Avenue, Suite 2555, Chicago, IL 60601.

Board Members Participating:

Michael Goetz, Committee Chairman

By Telephone:
Mr. Roger E. Poole
Mr. Bradley A. Zeller

IFA Staff Participants:

Christopher B. Meister, Executive Director
Brendan M. Cournane, General Counsel
Rich K. Frampton, Vice President
Brad R. Fletcher, Legal/Financial Analyst
Ahad F. Syed, Administrative Assistant

Others Participating:

Courtney Shea, Acacia Financial Group, Inc.
Sohair Omar, Policy Analyst, Office of the Governor

GENERAL BUSINESS

I. Call to Order and Roll Call

Committee Chairman Mr. Goetz called the Committee meeting to order at 3:02 p.m. with the above Board Members, IFA staff and other participants present. The Chairman asked Mr. Syed to call the roll. There being one member present and two Members via telephone, Committee Chairman Goetz declared the quorum met.

II. Policy discussion related to Qualified Energy Conservation Bonds (or "QECBs")

Committee Chairman Goetz asked Mr. Frampton for a background on the QECBs program.

Mr. Frampton thanked Mr. Fletcher for creating the report on QECBs. Mr. Frampton stated that under the statute passed in July 2010 by the Illinois General Assembly and signed by the Governor, the IFA has authority to issue and waive allocation to local government units such as counties and municipalities. Unlike the Recovery Zone Economic Development Bonds and Recovery Zone Facility Bonds (or "RZFBs") programs, QECBs do not have a sunset date. Due to the fact that there is a great incentive to use this program, counties have been reluctant to waive aggregate volume cap to the IFA.

The IFA, nineteen counties, and the six biggest municipalities by population in the State of Illinois have received volume cap from the federal government for QECBs. The IFA has issued $20,000,000 of its $22,620,730 initial allocation for a local government project in connection with a project relating to the Village of Deerfield. Local government units have a strong incentive to hold onto and seek waivers for QECBs volume cap to use as proceeds in qualified projects. Local governments may use 100% of their proceeds for qualified projects defined as "governmental purposes". Whereas 100% of the proceeds of RZFBs could be used for private activity, the federal legislation that created the RZFBs program restricts the use of up to 30% of proceeds for private activity or non-governmental purposes.

Mr. Goetz asked Mr. Frampton to explain the intended purpose of most QECBs issuances. Mr. Frampton explained that most issuances are in connection with projects involving retrofitting as opposed to new construction.

Director Meister asked Mr. Frampton to explain the "Green Community Programs".

Mr. Frampton explained that the ARRA legislation revised the meaning of the term "qualified conservation purpose" which may allow a QECB issue for "Green Community Programs" without falling under the category of private activity bonds. Hypothetically, if the aforementioned project is not categorized as a private activity bond then QECBs issued for qualified projects in connection with the "Green Community Programs" may be exempt from 30% allocation ceiling for non-governmental projects. Mr. Frampton explained that from preliminary talks with Bond Counsel, it appears that there is a great degree of latitude in issuing QECBs for qualifying projects under this program. There is also, however, a degree of latitude since the term “green community program” remains somewhat ambiguous and the IRS has not released sufficient clarification on the meaning of the term “green community program”. There is an inherent risk to the IFA of losing indemnification if any of these qualifying issues are audited by the IRS.

Director Meister explained to the Committee that the “Green Community Programs” are distinct subcategory of projects because they shift the burden of compliance risk from the borrower to the IFA.

Mr. Frampton agreed and recommended that it would behoove the Authority to first seek the formal opinion of Bond Counsel, should the IFA issue QECB “Green Community Programs” for qualified projects.

Ms. Shea stated that there is little incentive at the moment for local government units to use QECBs since at this time it has no expiration date nor does it have any direct benefits to governmental units. The incentives, therefore, are in direct contrast to the Recovery Zone Facility Bonds program which were slated to sunset on the last day of calendar year 2010 and offered direct benefits to local government units to waive or issue bonds under that program.

Minutes submitted by:
Ahad Syed
Administrative Assistant
Assistant Board Secretary