MEETING OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS OF THE ILLINOIS FINANCE AUTHORITY

The Compensation Committee (the "Committee") of the Board of Directors of the Illinois Finance Authority (the "IFA"), pursuant to notice duly given, held a meeting on 7:30 AM on December 5, 2006 at the law offices of Shefsky & Froelich located at 111 E. Wacker Drive, Suite 2800, Chicago, Illinois.

MEMBERS PRESENT: David Gustman, Jill Rendleman, Joseph Valenti	**MEMBERS ABSENT:**
IFA STAFF PRESENT: Stuart Boldry, Chief Operating Officer	**OTHER GUESTS IN ATTENDANCE:** Dan Ashley & Rob Bernstein

Call to Order

The meeting was called to order by Mr. Gustman.

Decision Making Process

Ms. Rendleman asked Mr. Ashley to comment on the issue of whether decisions in connection with implementing the 401(a) Plan ought to be made by the Board, or a group of individuals other than the Board. Mr. Ashley spoke about the reasons an employer might decide to use a committee other than the actual Board itself with respect to details about plan implementation decisions. He identified the reasons for this approach, from both fiduciary and a litigation-avoidance perspective. He explained that based on his recommendation, under the resolution adopted by the Board in summer 2006, the Board delegated to the Authorized Officers (Jose Garcia and Jill Rendleman) the authority to make decisions to implement the Plan.

Ms. Rendleman stated that, although the Authorized Officers were empowered to make such decisions, the purpose of today's meeting was to report to the Compensation Committee to inform the Committee regarding implementation plans and decisions, answer any questions, and hear any objections or comments the Compensation Committee may have.

Background

Mr. Boldry then explained that the IFA's retirement programs consist of two components:

1. A State-managed 457 Plan – which only permits employee contributions;

2. A 401(a) Plan – which permits two types of contributions:

    (a) Employer matching contributions, and

(b) An employer profit sharing (i.e. discretionary) contribution.

In combination, the two plans provide greater flexibility than a single 401(k) plan.

<u>Implementation</u>

Mr. Boldry explained that implementation began in September 2006 in conjunction with RFQ for legal services. Between September and November, the IFA introduced the new plan to staff, and also implemented and introduced new criteria which allowed the IFA to effectively utilize the profit-sharing component as a performance incentive. Concurrently, investment fund vendors were reviewed, resulting in Mr. Ashley's summary in a November 7 memo of the available options.

Jill Rendleman, Jose Garcia, Ximena Granda, Stuart Boldry and Dan Ashley participated in a meeting on November 28, 2006 to review:

- The November 7 memo described above, as revised on the 16th and 27th of November for new information received,
- The written proposals of all five vendors,
- A Discussion Agenda dated November 28, 2006.

A memo dated November 30, 2006 attached to these minutes documents the discussion on November 28, including the background, topics discussed, and decisions made. Mr. Boldry discussed these matters and in particular commented on the following points:

1. The decision to outsource the recordkeeping function, which eliminated two vendors that presented low-cost proposals but had no recordkeeping procedures.

2. The determination that, of the remaining vendors, the investment funds all appeared adequately diversified, prudent and reasonable.

3. The discussion of the cost differences, including overall costs, and the difference in the vendors' approach to recovering their costs via allocating costs allocated to participants through asset charges as opposed to allocating costs directly to the employer.

4. The decision to select the vendor of comparable quality which provided the most modest asset charge to the participants, on average. This vendor was the American Funds offered through HPL&S.

Next, Mr. Boldry discussed the selection of the specific funds to be offered to participants from among the funds offered by that vendor. As described in the November 30 memo, HPL&S provided an initial recommendation of funds for the IFA to offer. Mr. Boldry reviewed the process described in that memo by which the selection was made. Mr. Boldry then distributed a document entitled "Eight Funds Recommended", attached hereto. Mr. Boldry discussed these funds with the Compensation Committee. Further, he discussed the desirability of reviewing this selection on a periodic basis, and possibly adding additional funds in 2007. Mr. Ashley explained that due to new regulations, fund families such as the American Funds are generally gravitating toward offering "target" funds which are an easy and popular way for individual participants to select an asset allocation targeted toward their retirement goals. It is expected that the potential for adding such funds would be reviewed during 2007.

In response to questions from the Compensation Committee, Mr. Boldry and Mr. Ashley discussed online allocation of Funds by participants, periodic review of funds and placement of funds on a watch list, access to guidance from HPL&S, employee meetings, employee statements, the level of the match, the vesting within the plan, and other matters pertaining to the investment funds, as well as plan administration.

Mr. Boldry discussed the next steps for implementation of the plan.

There being no further business, Chairman Gustman adjourned the meeting.

Respectfully submitted,

J. Stuart Boldry, Jr., Assistant Secretary