

**MINUTES 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 regularly scheduled meeting at 7:30 a.m. on July 11, 2006 at the Illinois Finance Authority, 180 N. Stetson Avenue, Suite 2555, Chicago, Illinois.

<p><b>MEMBERS PRESENT:</b> David Gustman, Chairman Joseph Valenti James Fuentes (telephone)</p>	<p><b>MEMBERS ABSENT:</b> Martin Nesbitt</p>
<p><b>IFA STAFF PRESENT:</b> Jill Rendleman, Interim Executive Director Stuart Boldry, Chief Administrative Officer Carla Burgess Jones, Secretary</p>	<p><b>OTHER GUESTS IN ATTENDANCE:</b> Kimberly Copp, Shefsky &amp; Froelich Ltd. Leslie Carey, Shefsky &amp; Froelich Ltd. Dan Ashley, Laner Muchin Robert Bernstein, Laner Muchin</p>

**Call to Order**

The meeting was called to order by Chairman Gustman at 7:35 a.m. Mr. Gustman began the meeting by welcoming the guests of the Committee. Chairman Gustman asked Interim Executive Director Rendleman to present the items on the Agenda. Director Rendleman noted that there were two business items on the agenda – to discuss the proposed IFA Deferred Compensation Plan and the IFA Performance Incentive Plan. Director Rendleman also announced that she desires to discuss with the Committee certain personnel matters relating to Mike Pisarcik as well as updates made to the IFA Employee Handbook.

**Deferred Compensation Plan**

Chairman Gustman asked Director Rendleman to begin with the proposed Deferred Compensation Plan (the "Plan"). Director Rendleman explained to the Committee that the executive staff of the IFA recommends to the Committee approval of the Plan. Ms. Rendleman explained the reasons for the new proposed Plan including, without limitation, continued compliance with IRS rules and regulations, elimination of the 4% "floor" of the current plan (i.e., under current plan employees do not qualify for an employer match of contributions until the employee contributes at least 4% of his salary) as a means of encouraging all employees to make some contribution to the Plan, the desire to permit employer contributions to the Plan based on performance rather than strictly seniority and the need for the Plan to attract and retain staff of the highest possible caliber talent by providing

To describe the specifics of the proposed Deferred Compensation Plan, Ms. Rendleman introduced Mr. Dan Ashley and Mr. Robert Bernstein of Laner Muchin. Mr. Ashley referred the Committee Members to Tab 1 of the Compensation Committee handout which provides a summary of the Plan. Mr. Ashley explained that the IFA's current Retirement Plan was inherited by the IFA from the Illinois Development Finance Authority. He then described the terms of the current plan including the level of employer contributions. Mr. Ashley then explained the issues of the current IFA plan and discussed the options reviewed by the IFA executive staff in an effort to resolve these issues. Committee Members asked Mr. Ashley questions concerning the current plan and Mr. Ashley answered them.

Mr. Ashley then described the proposed Plan recommended by the IFA executive staff for approval by the Committee and Board. Mr. Ashley explained that the staff's recommendation is to continue employee participation in the State's 457 Plan for employee contributions and for IFA to adopt the Plan, a new defined contribution plan qualified under Section 401(a) of the Internal Revenue Code, for the purpose of holding employer contributions. Mr. Ashley explained the benefits of the proposed Plan over the existing plan including: (1) elimination of the 4% "floor" and replacing it with a 1% floor; therefore, providing incentive for all employees to make at least some contribution to the Plan; (2) providing for employee contributions to the 457(a) Plan to be matched by contributions by IFA to the Plan for all employees up to a maximum of 4% or 5% of pay (as determined by the Committee) rather than a maximum of 10.5% of pay for those employees that reach a certain seniority level; therefore, providing incentive for all employees to contribute to the Plan rather than just those employees having significant seniority; (3) simplifying the employer contribution formula to be a uniform rate of \$2.00 per \$1.00 an employee contributes, rather than having a match based on a six-tiered schedule ranging from \$1.63 to \$2.63 based on the employee's seniority; and (4) so that no employee receives a retirement benefit less than current retirement benefits for the first year of the plan, the IFA contributes a flat 2.5% of pay to all employees; and after the first year, an employee's entitlement to the 2.5% is based on either IFA achieving performance goals or participants achieving individual performance awards, as determined by the IFA. After Mr. Ashley's presentation, Committee Members asked questions about the proposed new Plan including, among others, the mechanics of the Plan, the cost of the Plan including maximum payout amounts and administration and implementation costs. Committee Members also questioned whether the Plan is consistent with those of employers in the private sector. All questions were answered by Mr. Ashley, Ms. Rendleman and Mr. Boldry.

Discussion ensued among the Committee Members and IFA executive staff with regard to whether the maximum amount of IFA matching contributions for employee contributions should be limited 4% or 5% of the employee's pay. After further discussion, it was determined that the maximum amount would be limited to 5% of pay. After further consideration, the Committee determined to recommend to the Board approval of the Plan for the fiscal year beginning July 1, 2006 and ending June 30, 2007 and agreed to review the

Plan at the conclusion of such period. With no further discussion on the Plan, Mr. Ashley and Mr. Bernstein left the meeting.

Chairman Gustman asked Mr. Boldry how IFA's Plan compared to the State's Plan. In addition, Mr. Fuentes inquired about IFA participating in the State's Plan. Mr. Boldry agreed to research the matters and then follow-up with the Committee.

### **IFA Performance Incentive Plan**

Director Rendleman then asked Mr. Boldry to present to the Committee the proposed Incentive Performance Plan ("Incentive Plan"). Mr. Boldry asked Committee Members to refer to Tab 2 of the Compensation Committee handout. Mr. Boldry explained that currently the IFA has two incentive compensation plans – Strategic Incentive Plan (for non-funding managers) and Sales Incentive Compensation Plan (for funding managers). Mr. Boldry explained that the proposed Incentive Plan would replace both of the former plans. Mr. Boldry explained that the main difference between the proposed Plan and existing plans is that under the existing plan funding managers are eligible to earn incentive compensation based only on one criterion – sales revenue. Under the proposed Plan, each funding manager (as well as all other employees) is eligible to receive incentive compensation based upon the employee achieving sales revenue targets as well as the overall financial success of the IFA and the employee completing certain action items. Mr. Boldry explained that the purpose of the Plan is to provide incentives for employees based on criteria other than solely based on sales revenue. Mr. Boldry also explained the maximum payouts permitted under the proposed Incentive Plan and provided the Committee an illustration of how the Plan would work. Committee members asked questions of Mr. Boldry and Director Rendleman answered them. After further discussion, the Committee determined that it would recommend the Incentive Plan to the Board for approval for the fiscal year beginning July 1, 2006.

### **Employee Handbook Revisions**

Mr. Boldry informed the Committee that certain revisions were made to the IFA Employee Handbook. Mr. Boldry briefly explained the purpose of these revisions.

### **Pisarcik Matter**

Director Rendleman then asked Kim Copp to inform the Committee of the matter relating to Mr. Michael Pisarcik and his employment at the IFA. Ms. Copp explained that a situation occurred between Mr. Pisarcik and Director Rendleman at a strategic planning meeting held in mid-June 2006. Ms. Copp explained that as a result of the incident Mr. Pisarcik engaged an attorney and that the attorney had sent a letter to Ms. Copp asserting certain claims against the IFA. The Committee discussed the matter and asked Ms. Copp questions. Ms. Copp

Minutes of Compensation Committee

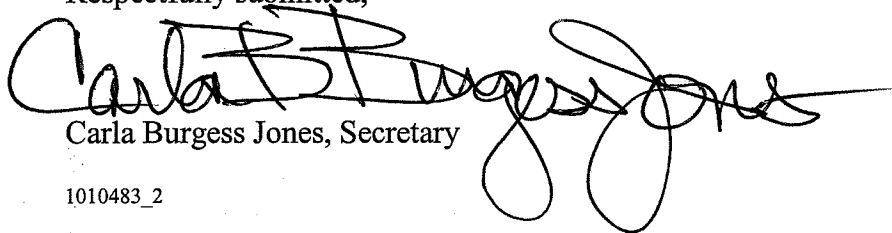
July 11, 2006

Page 4

answered these questions. The Committee determined that Director Rendleman and Ms. Copp could pursue a settlement with Mr. Pisarcik at their discretion.

There being no further business and no one seeking to address the Committee, Mr. Gustman adjourned the meeting at 8:40 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Carla Burgess Jones". The signature is written in a cursive style with large, sweeping loops and a long horizontal tail extending to the right.

Carla Burgess Jones, Secretary

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