

**MINUTES OF THE DECEMBER 7, 2009 MEETING OF THE ENERGY COMMITTEE OF THE BOARD OF DIRECTORS OF THE ILLINOIS FINANCE AUTHORITY**

The Energy Committee (the “Committee”) of the Illinois Finance Authority (the “IFA”), pursuant to notice duly given, held its regularly scheduled meeting via teleconference at 1:30 p.m. on December 7, 2009 originating from the Illinois Finance Authority, 180 N. Stetson, Suite 2555, Chicago, Illinois:

**Members participating:**

1. Dr. Roger D. Herrin,  
Chair

**Members absent:**

1. Ronald E. DeNard
2. James J. Fuentes

**Staff Members Present:**

Chris Meister,  
Deputy Director – General Counsel  
(Authorized Officer)  
Kara Boulahanis, Project Coordinator & Asst.  
Secretary  
Steve Trout, Vice President  
Marnin Lebovits, Senior Funding Manager  
Bill Claus, Funding Manager  
Bill Young, Consultant to the Energy Initiative  
Kim Du’Prey, Senior Funding Manager

**Members participating by**

**telephone:**

1. Michael W. Goetz
2. Bradley A. Zeller

**Guests participating by**

**telephone:**

Gabe Saunders, DCEO

*Call to Order*

Committee Chair Dr. Herrin called the meeting to order at 1:37 p.m. with the above members present.

*Projects*

**Agenda Item V(a): The Hotel Pere Marquette**

The Hotel Pere Marquette is requesting the IFA finance a portion of the energy efficiency upgrades of the 270-room historic Pere Marquette Hotel that will be renovated and converted to a Marriott and a to be constructed 180-room Courtyard by Marriott Hotel. The Hotel Pere Marquette project is contemplating financing energy efficiency components utilizing the authority under SB 390. Mr. Bill Claus explained the different supports from the city and developer equity. A \$5 million gap still exists in the total financing package.

Mr. Claus shared the developer’s projections for conference and hotel room income. Dr. Herrin thanked Mr. Claus for his analysis of this project. Mr. Young stated that his reservation was based on the fact that there would be no net developer equity in the project once construction was completed. He stated that this project would also be adding a lot of capacity in a small market, which could impede the ability to meet their projections.

Mr. Goetz asked if it would be possible to negotiate the terms of this deal with the developer. Mr. Young stated that the financing gap could potentially be met, with no additional risk to the Authority, by the developer agreeing to defer his \$3 million payment currently due at the completion of construction and the IFA agreeing to extend the current \$1MM participation loan in favor of the new owner. Mr. Young also expressed his concern that this project is significantly larger than any of the other deals this developer has completed in the past.

Mr. Goetz asked if it would be possible to ask the developer to leave his equity in the project until a point, determined by the IFA. Mr. Young stated that keeping the developer equity in the project until it meets some proportion of the income projections would incentivize the developer to ensure the profitability of the project. Mr. Meister stated that it would be possible, but it would be important to look more closely at the projections.

Dr. Herrin stated that he believed this project would be unlikely to default if it is structured correctly given the energy efficiency payback. Dr. Herrin agreed with Mr. Goetz suggestion to ask the developer to keep a portion of the equity in the project.

Mr. Goetz suggested that the IFA request a personal guarantee from the developer. Dr. Herrin stated that he doubted a personal guarantee for a project of this size would be sufficient. He added that the banks would also have a significantly greater exposure than the IFA would be incented, and better equipped, to monitor this project.

Mr. Zeller stated that this renovation will significantly expand the clientele base of the hotel. Dr. Herrin agreed with Mr. Zeller.

Dr. Herrin asked Mr. Claus to have the developer clarify the following areas of concern: equity, fee deferral, a potential personal guarantee as well as clarification of the ownership of the project. He asked Mr. Claus to have a personal phone conversation to with the banks involved in this project to determine the following: the developer's credit, the relationship between the IFA and the lead bank, the approval or review process for routine items, and finally, the personal and corporate finances of developer.

#### **Agenda Item V(b): Eagle River Coal**

Mr. Trout shared with the Committee that several of the projects developers are reluctant to offer a personal guarantee for this project and Mr. Franks is unwilling to guarantee the entire project himself. Dr. Herrin stated that he would prefer a guarantee but would support the project without the guarantees if adequate collateral were pledged. The project is in the discussions with Peabody Coal for a 3-year off-take agreement with an option to extend. Obtaining such a contract would be a condition of approval for this project. Mr. Lebovits asked about a guarantee after the off-take agreement ends. Dr. Herrin asked if the developers would be willing to guarantee the project after any off take agreement ends. Mr. Trout agreed to look into those questions with the developer.

Dr. Herrin added that other companies would be willing to purchase the off take from this mine. Mr. Young, Dr. Herrin and Mr. Goetz all agreed that this has the potential to become a solid project. Dr. Herrin requested that Mr. Trout continue to push for personal guarantees from each owner but to not lose the deal over them.

#### **Agenda Item V(c): Biofuels Manufacturers of Illinois (BMI)**

Mr. Trout stated that Mr. Seth Sudir, President of BMI, would like feedback on his request for a waiver of IFA's credit criteria before the end of the year. BMI has an opportunity to purchase parts from a defunct plant in Wisconsin that could lead to a cost savings of \$5.5 million in their plant expansion. Dr. Herrin stated that this project does not meet IFA's criteria at this time and therefore the IFA cannot finance this project at this time.

**Agenda Item V(d): Museum of Science and Industry (MSI)**

Mr. Trout conveyed to MSI that the IFA would not be comfortable with ownership of energy efficiency assets. He extended the offer of the moral obligation of the State to MSI and both Bank of America and the energy services contractor (ESCO) on this project. They are evaluating how to proceed and the IFA awaits their feedback.

**Agenda Item V(e): Wind Projects Update**

Mr. Lebovits stated that the Memorandum of Understanding (MOU) between the IFA and Illinois State University Center for Renewable Energy (ISU CRE) was completed to allow ISU to complete a technical review of IFA's wind projects. The first wind projects currently under review could be financed as soon as the first or second quarter of calendar year 2010. Dr. Herrin asked Mr. Meister to please inform the Committee of the Whole of this MOU.

Dr. Herrin asked about fees. Mr. Lebovits and Mr. Meister stated that while no fees to IFA have been collected, limited deposits of \$10,000 have been collected from the wind projects. Additional deposits will be collected as necessary to cover the costs of the IFA advisors (technical, legal and financial). Fees payable to the IFA have yet to be determined.

**Agenda Item V(f): Robbins Power**

Mr. Trout stated that Robbins Power has met with the Authority on several occasions over the last year. The project has resumed discussion with the IFA after a recommendation by US DOE. This project needs to close by May due to the interim financing agreement. The project has made progress on power purchase agreements (PPAs) and supply agreements. Mr. Trout remains in contact with this project and will update the Committee as appropriate.

**Agenda Item V(g): Lateral Drilling for Oil/Gas in State Parks**

Mr. Lebovits explained that this project proposed to laterally drill for oil underneath State parks and in return for the financing would return 93% of the profits to the State. Dr. Herrin stated that Mr. Lebovits should take a look at this project but agreed with Mr. Lebovits that it seemed more like a venture capital investment than an IFA financing.

**Agenda Item 3(a): EECBG Retrofit Ramp-Up Program**

Mr. Meister updated the committee on the EECBG Retrofit Ramp-Up Program application. He stated that the staff was working diligently on it but unfortunately the Chicago Metropolitan Area Planning Commission (CMAP) seemed determined to submit their own application to this program.

*Closing Remarks and Adjournment:*

The meeting was adjourned at 3:06 p.m.

Respectfully Submitted,

Kara Nystrom-Boulahanis, Assistant Secretary