

MINUTES OF THE EXECUTIVE SESSION
OF THE
PUBLIC BUILDING COMMISSION OF McLEAN COUNTY, ILLINOIS

Tuesday, April 7, 2015

The Public Building Commission of McLean County, Illinois (the "Commission") met in EXECUTIVE SESSION to discuss pending litigation pursuant to 5 ILCS 120/2(c)(11) on April 7, 2015 at 5:00 p.m. in Room 404, Government Center, 115 East Washington Street, Bloomington, Illinois.

The following members were present: Members Farnsworth, Zimmerman, Good, Schultz, Zeunik and Novosad. The following members were absent: Members Morel, Funk and Harris. Also present were Commission Attorney Robert Porter, Commission Treasurer James Mulligan, Mr. Jack Moody, Facilities Manager, McLean County, Mr. Paul Brown, President, First Midstate, Inc., Mr. Kevin Wills, Vice President, First Midstate, Inc.

Mr. Porter advised the Commission that the purpose of meeting in EXECUTIVE SESSION is to update the members on the status of the SEC inquiry into the Commission's 2010 Official Statement. Mr. Porter stated that, on behalf of the Commission, he has completed and submitted to the SEC a self-reporting questionnaire that identifies any falsehood or lack of information in the 2010 Official Statement. The 2010 Official Statement contained the statement that the County and the City were making continuing financial disclosures in a timely manner. This means that the County and the City are required to upload their annual financial statements and annual audit to the Municipal Securities Rulemaking Board. In fact, the County had not uploaded the annual financial statement and audit for fiscal years 2008 and 2009. First Midstate self-reported this to the SEC On September 10, 2014. The Commission, as the issuer of the bonds, self-reported this to the SEC on November 28, 2014. The SEC responded that the failure to file the annual financial statements and annual audit were actionable as a securities violation. To date, there has been no further communication received from the SEC.

Mr. Paul Brown, President, First Midstate, Inc., informed the Commission that many municipal issuers and underwriters have failed to comply with this SEC requirement. Mr. Brown informed the Commission that Chapman & Cutler, as bond counsel to the Commission, has stated that this should not have a negative consequence for future bond issues.

Mr. Good asked if the SEC contacts the Commission through our counsel or our financial advisor, will the communication remain confidential until such time as a formal Statement of Findings is issued by the SEC.

Mr. Porter replied that once the SEC makes a Statement of Findings that will be a public document. It is likely that, at some future date, the SEC will issue a Statement of Findings and a Standard Settlement agreement. Mr. Porter advised the Commission that the PBC would have to meet and vote to accept the SEC's Standard Settlement Terms in a public, open meeting.

Mr. Good commented that Mr. Porter and First Midstate have done a good job trying to contain this problem by self-reporting the issue to the SEC in 2014.

Mr. Porter noted that the Commission has not had an opportunity to discuss this issue. First Midstate has been very generous with their time and their willingness to meet with me and the Commission to answer questions and properly address this issue with the SEC.

Mr. Farnsworth asked if and when the SEC issues a Statement of Findings and a Standard Settlement Agreement, who will ultimately be responsible for payment of any fines or penalties.

Mr. Brown replied that First Midstate will be responsible for any fines or penalties levied by the SEC. Mr. Brown expects that the SEC will levy a fine of \$100,000.00 and may add some additional penalties. Mr. Brown noted that no bond investor suffered any loss as a result of this issue. In the municipal bond market, this SEC requirement has been the source of confusion. Municipal underwriters, financial advisory firms and bond counsel are adjusting to these new rules. The effect of these rules is that the municipal bond market is becoming more like the corporate bond market.

Mr. Porter stated that the Underwriting and Disclosure Policy is an effort by the Commission to address the new municipal rules.

Mr. Brown stated that since 2010, First Midstate has been assisting the County with the timely filing of the annual financial statement and annual audit which are required to be uploaded and filed by July 31. In addition, First Midstate, on behalf of the Commission, has been filing the Commission's annual financial statement and annual audit. In the future, Mr. Brown assured the Commission that First Midstate will report to you that the filings have been completed in a timely manner.

Mr. Farnsworth recommended that on the agenda of the Commission's annual reorganization meeting, an item be included to address these specific compliance issues. This agenda item will provide the Commission with the opportunity to review the actions taken on our behalf and to be certain that we are in compliance with our Underwriting and Disclosure Policy and SEC regulations.

Mr. Porter concurred and stated that this issue will be on the Commission's agenda in the future. Mr. Porter noted that the SEC will contact First Midstate before contacting the Commission. To date, neither First Midstate nor the Commission has received any further communication from the SEC. Mr. Porter stated that the Commission will continue to monitor this issue and respond accordingly to any directions received from the SEC.

Chairman Novosad asked if there were any further questions or comments. Hearing none, Chairman Novosad asked for a motion to come out of EXECUTIVE SESSION. Mr. Good moved, seconded by Mr. Farnsworth that the Commission come out of EXECUTIVE SESSION at 5:38 p.m. Chairman Novosad called for the vote on the motion and the motion carried unanimously by voice vote.

The Commission returned to OPEN SESSION at 5:38 p.m.

APPROVED:

John M. Zeunik,
Assistant Secretary,
Public Building Commission of
McLean County, Illinois

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