Chairman Luechtefeld called the meeting to order at 9:45 am.

Members present: Representatives John Cavaletto, and Jerry Costello II; Senators Dave Luechtefeld, Gary Forby, Sam McCann and Andy Manar; Chancellor Rita Cheng, Mr. Phil Gonet, Mr. Joseph Angleton, Mr. Bill Hoback, Dr. Tomasz Wiltowski, Ms. Amie Gregory

Members Absent: Representative Mike Bost and Representative Brandon Phelps.

The discussion today is whether or not to approve funding for the Homeland Fuels proposal on Fischer Tropsch which centers on liquid fuels located in Hillsboro, IL.

The proposal is for $750,000 and DCEO has also committed $750,000 for this project.

Senator Luechtefeld asked what the balance is if we fund this project?

There are uncommitted funds of approximately $5 million dollars.

Phil Gonet – I want to make a comment that this scaled down version of coal to liquids project is appealing to the coal industry. 5 or 6 years ago if you would have told me Illinois wouldn’t have any of these plants; I would have said you were crazy. But it has kind of fallen off the radar and I think this is a good demonstration project that in a small amount can work and be financially viable. It is a good use of Illinois Coal. So for the coal industry we strongly support the project and if anyone from the company wants to make a comment.

Charles Dornbush, Homeland Fuels – We completely concur with your thinking on that this is a good opportunity to demonstrate with proven technology the real viability of making liquid fuels from coal and doing it in an environmentally responsible way. We are very much looking forward to this project and we are underway with some funding from an earlier grant with some of the Prefeed type of work and engineering assessment type of work. It is all going very well at this point. We are excited and delighted to have the opportunity to request the funds from the Clean Coal Review Board and look forward to a very successful demonstration project in Illinois.

Joe Angleton – Mr. Chairman I concur completely. I think it is way past time for a project such as this. I think it is the future and if we have no more discussion, I would like to make a motion to approve funds for this project.

Senator Luechtefeld – Before we make a motion, I have talked to a number of you about this, we have spent a lot of money over the years and I am sure this has occurred to most of you. If you have been through the process from day one, as we look back, what the money has done that we have put out over the years. Has it been worth it and I guess I would just ask the sponsors of this program do you believe there is a fairly high probability that what this proposal is doing and looking at will finally come to fruition. Could you give me some idea of this?

Vic Gatto, Homeland Fuels – Your question is a good one. There is no doubt about the fact this has been a promising area for many years and I think there is a couple things that have changed recently. Of course our concern was with the up and down nature of the Middle East oil crisis and the likeness is an
ongoing concern. One thing like Charles was describing with the technology initiatives; one critical feature is that we are going to be a minor source of emissions and also a minor source of greenhouse gas emissions. That is a substantial change in technology focus caused by obviously all the concern with greenhouse gases. And why it is important, there is substantial university studies that I can point you to show between the years 2025 – 2050 that coal to liquids could produce at least half of the diesel fuel required by the country, if we could solve the greenhouse gas issues. That is what we have set out to do and are very confident we can do. So we think this is a substantial change and one that is going to make IL proud and give a great use to IL coal.

Senator Luechtefeld – So you don’t believe the new emission rules from the administration will make this not happen?

Vic Gatto, Homeland Fuels – Just the opposite. We are anticipating those changes in our work. We have very strong contacts in the administration at the federal level and we have a good feel for what ? and others will propose and we know we will be able to meet them.

Senator Luechtefeld – How fast will this happen, we have been talking about this for a lot of years. When would you anticipate if this works, would it come to production?

Vic Gatto, Homeland Fuels – We are going to have a first unit on the ground in Hillsboro in November of next year, so 2014. We will be doing work at the site before that but will have the first demonstration scale unit as described in the proposal on the ground and operating in that kind of time frame.

Senator Luechtefeld – Are there any other questions?

Representative Cavaletto– What is the deadline of getting started on this project?

Vic Gatto, Homeland Fuels – We already have gotten started with the similar grant from the Coal Competitiveness grant and so we are churning right along. And this is going to continue the program with the prefeed to feed and then we have the 3rd phase that will move us into detailed engineering for the first plant that I was describing.

Representative Cavaletto – So this amount of dollars will take us through to the finish line?

Vic Gatto, Homeland Fuels – Yes.

Joe Angleton – It will, ok. Here are my feelings about the CCRB board from being down here in southern Illinois. I know there is a lot of coal still in the ground and I think we should be an advocate for pushing this coal before we close mines like Consolidated Coal around Sesser, IL. I know they are getting ready to shutter that and I have talked to several of you about this. It is finding a buyer and at this point in time, coal is not a popular thing. But it will be here at the state and it will be more popular one of these days and I really feel as a group we need to fight harder to keep some of these mines open and maybe also advertise for buyers to get into these mines. This could keep some of the people from getting these mines and closing them. I don’t think we do enough to promote our coal industry. I think that is part of our research as a board to try and keep coal going and people working. Southern Illinois needs the jobs and I feel should be one of our priorities.

Vic Gatto, Homeland Fuels – I agree and we do have a financial partner that is interested in buying IL coal. If Todd d Ely is on the call, if you could figure out this location and stuff we can put everyone in touch so that we could get this Consolidated mine sold to one of our friends.
Bill Hoback – Hold on one second, I want to make sure everyone understand the financial situation as we stand right now. The Office of Coal Development has done a $750,000 grant to help support the Prefeed work with which the CCRB $750,000 grant will help continue to finish this. We also have an application from Homeland Fuels for $3.5 million in bonds to help do the detail work. So by the end of the day, the state will have $5 million in the Prefeed all the way through the detailed engineering. At that point, Homeland Fuels will be ordering stuff and their finances will pick it up from there. I just want to make sure everyone understands. I want to make sure everyone understands there is $5 million on the table from the state through both the CCRB and the Clean Coal Competiveness programs and the bond authorization program for coal.

Phil Gonet – I don’t think there is anyone more frustrated than me over the past 10 years that I have been on this board, for the number of projects that have come before the board for funding that all had a lot of promise at the time. At one time we had about 8 coal gasification projects pending in IL and now we basically have 1, FutureGen, which has been a huge disappointment for a number of reasons which I won’t get into. But for the continuance of this board, why I think it is important is because of projects like Homeland Fuels and Sargas, which we funded last year. And I think what distinguishes these two projects from the ones’ before is that they don’t need legislation to get their projects to the finish line. The Tenaska project, we all went through problems with that, the Leucadia and Power Holdings project, all of these coal gasification projects that had great promise at one time. But now they have fallen off the chart because they needed legislation to pass and we didn’t have enough friends that could help us get them passed. This is different and I think there is a role for the board to continue to support coal, like Representative Cavaletto has indicated and to help a project like this that can be sustained without legislation or any further assistance from the state. Again the key to this one it’s advancing a technology that is critical for the future use of IL coal which is coal to liquids. I just wanted to throw my two cents in on that and I think we do have a positive impact on the coal industry and speaking for them, we appreciate the support not only from the CCRB but from Bill Hoback’s shop as well.

Senator Luechtefeld – Are there any other questions? I guess we would be ready for a motion.

Joe Angleton made a motion to fund the Homeland Fuels project.

That motion was seconded by John Cavaletto

The motion was approved unanimously.

Senator Luechtefeld – Is there any other business that needs to come before the board? The date for the next meeting is Wednesday, November 6 at 8:30 in Springfield. And I would ask for a motion to adjourn.

Joe Angleton – Before we adjourn, in regards to a question asked earlier about the success of this board, I think we need to discuss this in great detail at the next meeting when we sit down face to face to discuss what worked and what hasn’t. Bill brought up a very interesting scenario in regards to legislation when we are funding projects that require legislation. But I think the question of what we have accomplished, is need of discussion.

Senator Luechtefeld – I think you are absolutely right. As I look back, I am sure there are people who certainly could tell you more than me, what the CCRB have done. John Mead was involved in this for a long time, Tomasz is now involved and many of you are original board members. I often wonder about the X number of dollars we have funded and what we have gotten for that money. I guess we all would like to look back and say it was worthwhile.

Joe Angleton – I agree.
Senator Luechtefeld – So hopefully we can have a good attendance at the meeting in Springfield and is there anything else?

Phil Gonet – I think maybe it would be a good idea if both Sargas and Homeland Fuels could attend this meeting to give us an update. We haven’t done that for a while, to bring in one of our grantees to give us a status update.

Senator Luechtefeld – Can we get them an invitation to attend?

Tomasz Wiltowski – They have already been invited. In preparation for the booklet for the meeting in November, we will have the complete reports in there from both of these organizations.

Joe Angleton – I make a motion to adjourn

That motion was seconded by Phil Gonet

Chairman Luechtefeld adjourned the meeting at 10:30 am.