

1 ILLINOIS FINANCE AUTHORITY BOARD
2 TAX-EXEMPT CONDUIT TRANSACTIONS COMMITTEE MEETING
3 February 11th, 2016, at 8:30 a.m.

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7 Report of Proceedings had at the Meeting of the
8 Illinois Finance Authority Board of Directors Tax-Exempt
9 Conduit Transactions Committee Meeting on February 11th,
10 2016, at the hour of 8:30, pursuant to notice, at 160 North
11 LaSalle Street, Suite S1000, Chicago, Illinois.

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1 APPEARANCE:
2 COMMITTEE MEMBERS

3 MR. ROBERT HORNE, Chai rman
4 MR. JAMES J. FUENTES
4 MR. MICHAEL W. GOETZ
5 MR. LYLE McCOY (Added)
5 MR. BRADLEY ZELLER
6 MR. ADAM ISRAELOV
6 MR. ROBERT FUNDERBURG, Ex-Offi ci o

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ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

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9 MR. BRAD FLETCHER, Assistant Vice-Presi dent
9 MR. RICH FRAMPTON, Vi ce-Presi dent
10 MS. TAMMY HARTER, Heal thcare Financi al Anal yst
10 MS. PAMELA LENANE, Vi ce-Presi dent
11 MS. ELIZABETH WEBER, General Counsel
11 MR. CHRISTOPHER B. MEISTER, Executi ve Di rector
12 MR. PATRICK EVANS, Agri cultural Banker (Via audio
conference)

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1 CHAI RMAN HORNE: Can we do a roll call, Brad?

2 MEISTER: Yes. Thank you, Chai rman Horne. You
3 called the meeting to order. Mr. Horne?

4 CHAI RMAN HORNE: Yes.

5 MEISTER: Mr. Goetz?

6 GOETZ: Here.

7 MEISTER: Mr. Israel ov?

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8 ISRAELOV: Here.
9 MEISTER: Mr. Zeller?
10 ZELLER: Here.
11 MEISTER: Mr. Fuentes?
12 FUENTES: Here.
13 MEISTER: And Mr. Funderburg, as Ex-Officio?
14 FUNDERBURG: Here.
15 MEISTER: We have Chairman -- or we have a
16 quorum, Mr. Chairman.
17 CHAIRMAN HORNE: Okay, thank you. Do any
18 members wish to make any edits to the minutes from
19 our last meeting, or from regular meeting, which was
20 on January the 13th? I think we got copies of the
21 minutes distributed.
22 If none, I would ask for approval of the
23 minutes.
24 GOETZ: So moved.

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1 FUENTES: Second.
2 CHAIRMAN HORNE: All those in favor?
3 (A chorus of ayes.)
4 CHAIRMAN HORNE: Okay. Opposed?
5 (No response.)
6 MEISTER: Chairman Horne, let the record
7 reflect Committee Member Lyle McCoy has joined the
8 committee.
9 CHAIRMAN HORNE: Great. That's perfect timing.
10 We have a consideration and nomination and election
11 of a Vice-Chair of the Conduit Committee, and Lyle

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12 has been nominated for that, and I would ask if
13 anyone would like to move for approval of Lyle's
14 nomination.

15 McCOY: So moved.

16 ISRAELOV: Second.

17 CHAIRMAN HORNE: All those in favor?

18 (A chorus of ayes.)

19 CHAIRMAN HORNE: Great. Lyle, welcome.

20 McCOY: Thank you. Timing is everything.

21 CHAIRMAN HORNE: So we are going to now do --
22 have kind of a general consent of the members to
23 consider projects and resolutions, collectively, and
24 then we're going to do kind of on a vote-by-vote

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1 basis for each project.

2 So we're going to ask for a presentation I
3 think now on several of the matters that we're going
4 to discuss, both in this meeting and at the Board
5 Meeting.

6 ISRAELOV: And, Chairman, with respect to the
7 Timothy Place matter, I'm going to have to step
8 aside for consideration and deliberation, due to a
9 conflict.

10 CHAIRMAN HORNE: Not a problem. Okay, thank
11 you. So do we want to --

12 MEISTER: I think we'll go to agenda Roman
13 Numeral IV.

14 CHAIRMAN HORNE: IV?

15 MEISTER: The Consideration of Educational
16 Cultural and Non-Healthcare 501(C)(3)s, and I

17 believe that Mr. Fletcher will present the
18 University of St. Francis Final Bond Resolution.
19 CHAIRMAN HORNE: Okay. Please, Brad.
20 FLETCHER: Certainly. So the University of
21 St. Francis, excuse me, was presented to this
22 committee, as well as the Board last month. At this
23 time, they are simply returning -- excuse me, I'm
24 out of breath -- for a Final Bond Resolution

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1 Consideration.

2 Before we didn't know the amounts that PNC
3 and Wintrust would be purchasing. At this time we
4 know Wintrust will be purchase \$6,000,000, and PNC
5 will be purchased \$9,000,000.

6 So you recall, this was the conversion of
7 the surface parking lot to a new science building.
8 So we recommend approval. I can take any questions
9 with respect to their financials, if necessary.

10 CHAIRMAN HORNE: Okay. Is there any questions
11 on this matter? If none, do we want to do a vote,
12 or do we want to do a presentation of all, and
13 then --

14 MEISTER: Let's do a presentation of all,
15 except for the one with the conflict. So we could
16 turn to Ms. Lenane on Roman Numeral V.

17 CHAIRMAN HORNE: Okay.

18 MEISTER: Christian Homes, a senior living
19 nonprofilt.

20 LENANE: Okay. In the book it's 2.

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21 CHAI RMAN HORNE: Number 2.

22 MS. LENANE: In the book. Christian Homes
23 returns for a Final Bond Resolution in the amount of
24 \$39,000,000. They are refunding the outstanding

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1 amount of the 2007A bonds -- 2007A bonds, portion of
2 the principal amount of the Crown Point, Indiana,
3 bonds, and also refunding the -- excuse me, the 2010
4 bond. IFA 2010 bonds.

5 This is a Final Bond Resolution. The only
6 change from the last meeting is that they have
7 received a BBB minus rating with a stable outlook,
8 and that is both on page 1 in the summary, and then
9 if you go back on page 3 in the finance summary.

10 Otherwise, nothing else has changed. So
11 we're very pleased with this. It is a multi-state
12 transaction using our multi-state powers, and this
13 will close fairly soon.

14 CHAI RMAN HORNE: Terri fi c. Okay.

15 MS. LENANE: Any questions?

MEISTER: Pam, why don't you move on to

17 Presbyterian Homes and Mercy Rockford?

18 LENANE: Okay. Pres Homes is 4. Presbyterian
19 Homes is coming for Preliminary Bond Resolution in
20 the amount of \$135,000,000. They are refunding the
21 1996A bonds, the 2001 bonds, the 2006 bonds, and the
22 2007 variable rate demand bond, and they're going to
23 fund -- they have a little of new money in here of
24 \$8,000,000, and they're going to fund some new

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1 routine capital expenditures, maybe. So that's
2 still maybe.

3 That's why I have no construction jobs
4 here. So -- but by the time we do the final, that
5 will all be decided, and I'll have jobs, and if
6 they're doing it. Right?

7 CHAIRMAN HORNE: Do we have any sense of when
8 this will come back?

9 MS. LENANE: Oh, yeah, it's coming back next
10 month for final.

11 CHAIRMAN HORNE: You think we'll have some
12 ideas on jobs?

13 LENANE: Oh, yeah, I'll get estimates -- we
14 will get estimates from the Home.

15 CHAIRMAN HORNE: Great.

16 LENANE: From Presbyterian Home and/or their
17 contractor.

18 GOETZ: This is mostly going to be remodeling?

19 LENANE: I think so.

20 GOETZ: No new construction?

21 LENANE: No new construction, just remodeling.

22 CHAIRMAN HORNE: Okay.

23 LENANE: So let me continue on. They have
24 applied for both a Fitch and S&P rating, and we're

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1 optimistic they will receive a rating, so they will
2 be able to not have a feasibility study and issue

3 their bonds in smaller denominations, to be
4 specific.

5 If we go back to the financials, you can
6 see from the audited 2014 and 2015 bonds, debt
7 service coverage is very good, 4.62 and 7.2, and
8 days cash on hand is remarkable. I don't know why,
9 but it's huge. Huge.

10 Why is it huge? Foundation? Maybe.
11 Foundation then. So they'll be back again. They
12 are located in Evanston, and I think --

13 CHARMAN HORNE: Lake Forest.

14 LENANE: And Lake Forest, yes. Are you
15 thinking of the Moorings, Lake Forest?

16 WEBER: There is Lake Forest Place.

17 LENANE: Place, yes. Yeah, the Moorings is not
18 included in this.

19 CHARMAN HORNE: Okay. Arlington Heights.

20 LENANE: The Moorings -- actually, they may
21 come at a separate time the Moorings, hopefully. So
22 do we have any questions?

23 CHARMAN HORNE: No.

24 LENANE: And they will come back next month and

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1 it will be more flushed out. Okay, now, the next
2 one is, going forward now --

3 MEISTER: So if we could then just move on to
4 Mercy Rockford Health System Corporation, a
5 Preliminary Bond Resolution for a nonprofi t hospital
6 system.

7 LENANE: Yes. Mercy Rockford Health System is
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8 building a new hospital, 188 beds on the east side
9 of town. The Rockford Memorial Hospital will be
10 staying open. They will be running both hospitals.

11 They are requesting finance approval.

12 This is a preliminary resolution of \$550,000,000 to
13 fund the construction of the new hospital, and to
14 refinance some bonds of Rockford Memorial Hospital,
15 2008 bond, 2012 bond.

16 They are also going to be refinancing all
17 or a portion of some Mercy Alliance. Mercy Alliance
18 out of Janesville is the hospital that has merged
19 with Rockford Memorial and Rockford, and so this
20 again, once again, we're using our multi-state
21 bonds. Also, doing that same refunding within this
22 transaction.

23 The construction jobs are estimated at
24 1,500. Now that is projected by -- those

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1 projections come from the president of
2 Ringland-Johnson Construction, who I think is the
3 general contractor on the transaction, and Brad
4 Long, president of the --

5 MEISTER: What?

6 LENANE: Northwestern Illinois Building and
7 Trades Construction Trades Council, and both of them
8 went -- both of them gave estimates, and this is
9 what they came up with.

10 So maybe by the final, we'll have better
11 -- I'll press them to get them more firm, but I

12 think this is about all we're going to get at this
13 point, because I think they haven't broken ground.

14 CHAI RMAN HORNE: Really?

15 LENANE: No.

16 FUNDERBURG: Not that I'm aware of.

17 LENANE: I'm not aware of it either. And Henry
18 Seybold is the CFO of Rockford -- Mercy Rockford,
19 and John Cook, who is the CFO of Mercy Alliance,
20 will be -- one of them will be coming to the next
21 meeting and talk about the hospital.

22 It's brand new, 188 beds. It's quite
23 exciting. We haven't had a new hospital for a few
24 years in Illinois. So it's nice to see

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1 construction, picking up again, and so if we go to
2 page 3, they expect to get the bonds rated, and they
3 are expecting an underlying rating from Moody's of
4 A3.

5 I assume that's somewhat going to be based
6 on Mercy Alliance, because Rockford has not been a
7 strong credit. They had a rating at one time, but I
8 don't think they carry one now.

9 And so then if we go over to -- I can take
10 you through the financials. They do not have, and
11 hopefully we'll have this by the time of the final,
12 they don't have consolidated statements.

13 So what we did, we gave you Mercy
14 Alliance, and then we gave you Rockford Hospital,
15 Rockford Memorial Hospital, side by side, and then
16 we combined them for the six months ended 12-31-14

17 and 12-31-15, but they will have to put them --
18 combine them to go to the rating agencies in some
19 fashion.

20 So, hopefully, we'll have that. They need
21 a little more time, so they won't be coming to the
22 next meeting for a final. They'll be coming in
23 April for a final. And I don't think there is
24 anything else.

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1 This also is a multi-state transaction,
2 and we're very pleased that we went three times for
3 the multi-state.

4 MEISTER: Yes.

5 LENANE: We got it on the third try.

6 MEISTER: Just a word for the Board Members,
7 this was a statutory change in 2010. It allows the
8 Illinois Finance Authority to issue, on behalf of
9 projects, bonds that fund a series of projects in
10 states outside of Illinois, as long as there is a
11 significant Illinois nexus, which means a
12 headquarters of the borrower or significant
13 projects.

14 And, Bond Counsel, I think --

15 BIBBY: Right.

16 MEISTER: A couple years after that, there was
17 a rather significant conduit financing for a
18 for-profit set of private activity bonds near O'Hare
19 Airport, and there was another state -- multi-state
20 issuer that issued those bonds.

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21 We went back to the General Assembly, and
22 we had our Authority expanded for private businesses
23 that may utilize private activity tax-exempt bonds
24 as well.

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1 And the reason why we did that was not
2 only to preserve, frankly, the jurisdiction of the
3 Authority and Illinois policies and ties to
4 Illinois, but also there was a very compelling
5 competitive reason.

6 There are other state legislatures that
7 have seen fit to attempt to grant multi-state
8 authority to issuers that, at least in my personal
9 view, have rather tangential ties to the State, and
10 I think that's a fair assessment that there is a
11 wide variety of multi-state authority across the
12 state.

13 BIBBY: Yes.

14 MEISTER: And we feel very comfortable with the
15 nexus test that we work with Bond Counsel to put
16 into the Illinois statute.

17 LENANE: Yes. So I can go more in depth on
18 that.

19 CHAI RMAN HORNE: I just had a question on the
20 financials.

21 LENANE: Yes.

22 CHAI RMAN HORNE: I was kind of studying the
23 EBITDA on Rockford, in particular, and I just see a
24 decline, you know, represented, and they just or --

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1 are they going to show numbers for projections with
2 the new hospitals?

3 LENANE: Well, they have to. They won't get a
4 rating. Rockford Memorial -- Rockford is a
5 three-hospital town. St. Anthony, which is an OSF,
6 Peoria Hospital, they're sort of -- they do very
7 well, and they get most of the private-pay patients.

8 Then there's Swedish American Hospital in
9 Rockford. They do well. They carry a rating, and
10 then you have Rockford Memorial, and Henry Seybold
11 always complained to me, "We get all the Medicaid
12 patients."

13 They've been struggling. It is a good fit
14 for Mercy Alliance coming out of Janesville to come
15 and to acquire them. And I think from the
16 newspapers I've read, they want to try to make it a
17 center of excellence for people to come to in that
18 area, or for not even that area particularly, but
19 even around.

20 CHAIRMAN HORNE: Regionally, yes.

21 LENANE: Regionally by some helicopters like
22 OSF, I would assume, and become sort of a regional
23 hospital.

24 CHAIRMAN HORNE: Okay.

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1 MEISTER: Pam, just could you note there's been
2 some history of Federal Trade Commission activity

3 with respect to mergers of Rockford Hospitals?

4 LENANE: Oh, yes. Saint -- OSF Health System
5 out of Peoria, or St. Francis Health System, tried
6 to acquire Rockford Memorial, this hospital, and
7 made application to the FTC. They were denied.

8 They appealed. They were denied again. I
9 think they might have done one more appeal, but for
10 two years they tried to get it. Finally, they just
11 said, "We have to let it go." They didn't want to
12 go to court to sue. So very interesting.

13 So -- but this has been -- this wasn't --
14 this wasn't subject to the FTC.

15 CHAI RMAN HORNE: Okay. I don't know -- is
16 there any questions in addition on the Rockford?

17 LENANE: I'll have more color on it. I wanted
18 them to bring some renderings at the next meeting.
19 Well, it won't be the next meeting. It will be the
20 April meeting they'll be back.

21 CHAI RMAN HORNE: Okay.

22 MEISTER: Chairman Horne, if we could ask
23 Mr. Frampton to present the resolution on University
24 of St. Francis.

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1 CHAI RMAN HORNE: Okay.

2 FRAMPTON: This is both Roman Numeral VI and
3 tab 6 in the book. Simply what this resolution does
4 is it amends certain of the business terms to -- as
5 a result of the Series 2016 bonds that we discussed
6 earlier, specifically Wintrust as the purchaser, and
7 relationship bank for USF will be amending the

8 interest-rate spread.

9 They will also be amending some of the
10 security for the bonds, including -- they will be
11 taking a mortgage on certain real property. They
12 will also be taking a security interest in certain
13 personal property, and also certain of the gross
14 revenues.

15 So in light of the new borrowing for
16 \$15,000,000, they are reworking certain of the terms
17 in the 2013 deal. That's what this resolution
18 accomplishes. Questions?

19 CHAIRMAN HORNE: None.

20 MEISTER: And then I think we'll turn to
21 Timothy Place/Park Place, and I understand --

22 GOETZ: Don't we want to go ahead and vote?

23 MEISTER: Oh, I'm sorry. I apologize.

24 FLETCHER: Do Presbyterian.

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1 MEISTER: I went too quickly.

2 CHAIRMAN HORNE: Thank you. So I think what we
3 would like to do is vote on each project
4 individually. I think you should do a roll call
5 vote for each.

6 FLETCHER: Your call.

7 MEISTER: Actually, I think all of these I
8 think we can take one vote on a motion to recommend
9 to the Board the University of St. Francis,
10 Presbyterian Homes, Mercy Rockford and --

11 LENANE: Christian.

12 MEISTER: Christian Homes, University of
13 St. Francis.
14 CHARMAN HORNE: St. Francis.
15 MEISTER: Yes. And Presbyterian Homes. Did I
16 name them all?
17 FLETCHER: Yes.
18 LENANE: Yes.
19 FLETCHER: So is there a motion for approval to
20 recommend to the Board?
21 FUENTES: So moved.
22 GOETZ: Second.
23 CHARMAN HORNE: All those in favor?
24 (A chorus of ayes.)

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1 FLETCHER: Opposed?
2 (No response.
3 FLETCHER: The ayes have it.
4 CHARMAN HORNE: Okay. Okay. So we're going
5 to take up the next matter, and we're going to ask,
6 Adam, would you like to step out for that?
7 ISRAELOV: Yes, and I'm going to recuse myself
8 obviously.
9 CHARMAN HORNE: Understood.
10 LENANE: Do you want to state the reason for
11 other people here who may not know?
12 ISRAELOV: Sure. Some of the bondholders are
13 clients of my employer. So for conflict purposes,
14 I'm going to recuse myself from deliberation,
15 consideration, and voting.
16 CHARMAN HORNE: Sure.

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17 LENANE: Thank you. Small world.
18 CHAI RMAN HORNE: So this matter is --
19 LENANE: Tab 3.
20 CHAI RMAN HORNE: Yes.
21 LENANE: In the book.
22 CHAI RMAN HORNE: This is Timothy Place.
23 LENANE: Right, Timothy Place. There is no
24 extra material. It's all here.

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1 CHAI RMAN HORNE: Okay.
2 LENANE: And I don't know if you had the time
3 to go through this. Timothy -- Park Place of
4 Elmhurst or Timothy Place is located, of course, in
5 Elmhurst.
6 It's directly, for those of you who might
7 be familiar with that area, if you go out Roosevelt
8 Road, and you see the brand new Elmhurst Hospital,
9 Timothy Place is just west of it, and it's on a
10 campus developed or owned by -- help me. The
11 church, right?
12 DeYoung: Providence Life Service is supported
13 by the Dutch Reformed Church.
14 MS. LENANE: Right, the church is there, the
15 Dutch Reformed Church, Timothy Christian Grade
16 School and High School. So it's a campus of these
17 associations.
18 It's a CCRC. It has the three levels of
19 care, 181 independent units, 46 assisted living
20 units, and 20 memory units, and 37 nursing care

21 units.

22 Bill is going to address -- I'll introduce
23 him, and he will address occupancy issues. They are
24 seeking a one-time Board approval so that they can

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1 take this Board approval to the Bankruptcy Court,
2 and then the Bankruptcy Court will -- they'll do a
3 solicitation.

4 Already 74.2 percent of the bondholders
5 have agreed to -- agreed to the court agreement
6 going into bankruptcy, and they'll do a solicitation
7 of all the bondholders before the closing.

8 The bondholders will be receiving
9 85 percent of the 2010 bonds that are still
10 outstanding, and those will be Series A and B bonds,
11 and the balance of 15 percent, which, you know,
12 which is sort of the less, will be the C bonds, and
13 they will be subordinate to the A and B bonds.

14 And they bear interest at a lower rate,
15 and they will be paid off with entrance fees after
16 the A and B bonds have been paid. A and B bonds get
17 paid first.

18 CHAIRMAN HORNE: Well, the B bonds are the
19 entrance-fee payments.

20 LENANE: Oh, right, right, and the C bonds --

21 CHAIRMAN HORNE: And C bonds are the --

22 LENANE: Cash flow bonds.

23 CHAIRMAN HORNE: Right.

24 LENANE: Okay, sorry. So -- I'm trying to

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1 think what else I wanted to tell you. The sponsor,
2 Provident Life Services, is injecting \$5,000,000
3 cash into the refunding or restructuring.

4 Their loan will be subordinate to
5 everybody else's loan, and I think they are earning
6 interest at 2 percent. And because -- they will
7 still be managing the project, and I'm going to let
8 Bill DeYoung speak to some of that.

9 There are retail bondholders.
10 Approximately 22 percent of the par amount of the
11 2010 bonds are held in retail hands or \$32,000,000
12 in average accounts, 2,000 accounts. So each retail
13 account holds approximately \$16,074.

14 So the retail bonds are held -- widely
15 held. So they are probably in small amount. And
16 the bondholders will be -- I don't think upset by
17 this, because, first of all, they've been receiving
18 very generous rates on these bonds, 8 to 7 percent
19 over the past 16 years.

20 And now they're going to get suitable
21 rates for the present economy, better than average,
22 and those are on page -- those are right up front
23 here on page -- anyway, they're going to be getting
24 nice rates. It isn't all in here.

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1 CHAI RMAN HORNE: I didn't see the rates.
2 LENANE: Why isn't the back of this -- the

3 confidential section is missing.

4 CHAI RMAN HORNE: It is on page 4.

5 LENANE: Wait a minute. The confidential
6 section is missing. Do you have it?

7 FUENTES: It's in the second part. You got
8 part A and B. At least I have them.

9 CHAI RMAN HORNE: Yes.

10 LENANE: Well, I don't.

11 FUENTES: Here.

12 LENANE: You've got A and B?

13 FUENTES: Anybody want it? You want it?

14 MEISTER: Yes.

15 LENANE: No, you continue to look at it. Do
16 you have A and B?

17 HARTER: I do.

18 LENANE: If you go to page --

19 FLETCHER: Page 9 starts the confidential
20 section.

21 LENANE: Yes, 9, right. It's in -- Oh, it's on
22 page 4. It's in the main report. The A bonds are
23 going to bear interest at 6.2 percent, 6.4. The B
24 bonds will bear interest at 5.6, and those are

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1 better than competitive rates for nonrated CCRC
2 debt, wouldn't you think, Steve?

3 JOHNSON: Yes.

4 LENANE: And then I'll introduce everybody.
5 And then the C bonds are going to have a coupon rate
6 of 2 percent. So I'm trying to think. Let me
7 introduce my team here.

8 CHAI RMAN HORNE: Please.
9 LENANE: With us today we have Bill DeYoung,
10 who is the Chief Financial Officer of both Provident
11 Life Services, which is the sponsor of this project;
12 and Park Place of Elmhurst, Timothy Blake of Park
13 Place of Elmhurst.

14 With him is Barry VanderGerugten, who is
15 also Director of Finance for both Provident Life
16 Services and Park Place of Elmhurst. John Bibby is
17 our Bond Counsel on this transaction. Tom Brod is
18 the Financial Advisor.

19 Steve Johnson is here from Ziegler. They
20 will be handling the exchange of the bonds. Also,
21 we have Melanie Shaker, our Financial Advisor, who
22 has gone through these numbers. And last but not
23 least, Bruce Weisenthal, who is our issuer's counsel
24 on the transaction, who has been reviewing the

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1 documents and will sign off on all the documents.
2 We'll get a traditional bond opinion on these
3 documents, and in the documents -- I'll let them
4 speak to this.

5 In the documents, we will have
6 indemnities, like we have in every transaction, and
7 those will be affirmed in the bankruptcy order. So
8 what I would like to do is have Bill speak a little
9 bit about how they got there.

10 I would like to say it's a beautiful
11 project. My mother was there in January of last

12 year, for two different weeks, wonderful service. I
13 can't say enough. And I wandered around, because I
14 went -- it's not very secure, though, Bill. I
15 wandered --

16 DeYOUNG: They thought you were a resident.

17 LENANE: Wow.

18 DeYOUNG: You know I'm teasing.

19 LENANE: We've known each other for a long
20 time, too long.

21 DeYOUNG: 20 years.

22 LENANE: 20 years, yes. But I wandered into
23 the assisted living and senior living. It is
24 beautifully constructed, really solid. I mean, if

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1 you went to it, you would think it's fabulous.

2 And I think also the fact that it's so
3 close to Elmhurst Hospital, it's like -- would you
4 say it's not even half a mile, quarter of a mile?

5 DeYOUNG: It's across the street.

6 LENANE: It's across the street, basically.

7 People can, you know, they can be admitted there for
8 rehab.

9 They have a wonderful rehab unit that's
10 staffed by the old Marion Joy, which at one time was
11 owned, up until recently, by the Wheaton Franciscan
12 Sisters out of Wisconsin. The Wisconsin Franciscan
13 Sisters owned Marion Joy, but they now sold it to
14 Northwestern.

15 The Northwestern Health System now owns
16 it. I don't know if Marion Joy will continue to run

17 it. It was cracker-jack. I mean, it was really a
18 wonderful place. So, Bill.

19 DeYOUNG: Thank you. Thanks, everyone, for the
20 opportunity to tell you a little bit about Provident
21 Life Services and Park Place of Elmhurst as well.

22 The organization actually traces it's
23 roots to 1914. We're a group of churches on the
24 south side of Chicago. Roseland, specifically, saw

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1 a need to serve seniors.

2 The church denomination, as Pam mentioned,
3 is Christian Reformed Dutch persuasion, somewhat
4 Presbyterian, from a theological perspective Dutch.
5 You have VanderGerugten here.

6 But they saw a need, and so they opened up
7 a facility called the Holland Home in 1914. Over
8 the years, the organization has grown. Today we
9 serve roughly 2,000 people in the various settings,
10 including home health and hospice, tax credit, some
11 low-income housing buildings, market rate
12 independent review, interest free, now independent
13 living, assisted living, skilled nursing care.

14 Roughly 2000, the Board of Providence
15 really felt the need that they needed to serve the
16 people in the area of Elmhurst. We have a number of
17 churches. Actually, two are within walking distance
18 of the site we're at today.

19 There was a need for them to serve through
20 a campus, and so we started the process of trying to

21 figure out how we could do a project in Elmhurst.
22 Probably the next significant step that we
23 made was Timothy Christian School, which is right
24 next door, and we do actually do some interesting

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1 inter-generational programming with the kids, and
2 with the residents of the facility, you know,
3 bringing somebody in to talk about World War II
4 instead of reading the books.

5 There are some really neat things we're
6 able to do there with the school. They judge -- the
7 residents judge art projects, you know, just
8 different ways of bringing generations together.

9 But the school had a need for some cash,
10 was looking to do some expansion, and we obviously
11 were looking for land. So what the school had done
12 is it had bought roughly seven lots around the
13 school, and we bought those lots from them as the
14 basis to start our effort.

15 The problem is now we have seven lots that
16 are around a neighborhood, but not the neighborhood.
17 So over the next probably four years, Ray Hemphill
18 went around and literally spent time with people at
19 the dining room table talking about selling their
20 home for the greater plan that we had for that area,
21 and so we accumulated 20 lots.

22 And then we were all geared up. We've
23 been doing presales for the project, and we were
24 actually geared up to do a financing in, like, 2008.

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1 And, you know, a new obstacle got thrown in our way.

2 Fortunately, there was enough momentum in
3 the project, and there was some seed capital from
4 the partner that we were able to keep the project
5 alive and actually finance the project in May of
6 2010.

7 It was one of the first projects that got
8 financed after really the struggles of the great
9 recession, whatever you want to define that period
10 of time.

11 So in between, we financed the project.
12 Interest rates were a little steep at the time. I
13 think the average rate on the deal was over
14 8 percent. But based on a lot of projections,
15 feasibility studies and the like, there was some
16 comfort that the project would work at that point in
17 time.

18 The construction period was generally
19 uneventful. Our biggest obstacle was weather days.
20 We did end up using most of our contingency for
21 weather. Fortunately, it was -- we didn't go beyond
22 contingency for weather, and we opened up in early
23 2012.

24 The other thing that we saw, as we were

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1 continuing to sell the product, was that we just
2 weren't getting kind of the momentum we had hoped

3 with converting from blue-sky sales to actually a
4 building going up.

5 And then ultimately we saw the impact of
6 that, as we opened up the building, and really
7 because seniors rely on the sale of their homes, in
8 most cases, to move into these buildings, because
9 their home values just had not recovered to the
10 level that was anticipated. We saw a lot of fallout
11 initially into the deposits that we had in the
12 project.

13 We kind of slowly moved along for the
14 first year of the filling of the building, and we
15 just weren't getting the kind of momentum. We did
16 some cutting of the entrance fees to try to attract
17 people into the building.

18 We even saw that our assisted living rates
19 were just higher than the market would bear. So we
20 needed to cut those rates by about \$650 a day -- or
21 a month, I'm sorry. \$650 a month. A month, yeah.
22 \$650 a month.

23 You know, interestingly, as soon as we cut
24 the rates to market value, we did fill the assisted

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1 living because, as Pam said, it's a very nice
2 campus.

3 In roughly May of 2013, the organization
4 just was not happy with the momentum that we were
5 getting from outsourcing our marketing, so we
6 actually took the marketing in house, and we decided
7 we wanted to try to do the marketing on our own.

8 So when we took the marketing on our own,
9 you know, I don't know if it was because we did such
10 great marketing, or because the economy was coming
11 back, but we started to pick up some momentum in
12 sales.

13 So we proceeded to start to see better
14 sales going on. We were seeing four, five, six,
15 people were moving in a month.

16 So from there, we hit a point in late
17 November of '14 that we just recognized that based
18 upon the delays in filling up the building, the
19 interest costs that we were paying, the reduction in
20 entrance fees we were collecting, and the slow fill,
21 we were not going to be in a position to ultimately
22 meet our future obligations on the short-term debt
23 specifically.

24 So back in November of 2014, we asked some

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1 of the institutional investors to go restricted so
2 that we could talk through how we were going to get
3 from where we were to some point where the project
4 could be stable on a long-term basis.

5 In that initial meeting, we were able to
6 reach an agreement with them that the first thing we
7 needed to do was come to an agreement on the
8 numbers. Because, ultimately, the numbers would
9 determine what project we could really handle going
10 forward.

11 So we spent almost a year working on

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12 numbers, trying to get agreement on both sides, with
13 consultants on both sides, on where we believe both
14 sides were comfortable with the project would be
15 able to operate.

16 Once we got to that point, it was a little
17 easier to sit down at that point and say, "Okay, now
18 we know what the numbers look like. Now we can put
19 together a structure from which to deal with."

20 You know, so basically we reached a
21 forbearance agreement, and then ultimately we came
22 to a term sheet late last year, which was a month
23 ago, on what we thought the project could really
24 handle moving forward.

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1 The nice thing is we continued to have
2 good momentum. The health center is basically full,
3 and has been for actually years. As Pam said, we do
4 a lot of rehab on the nursing side of the building
5 as we wait for the project to mature, because
6 obviously people come in on the independent living
7 side and then age in place.

8 So we're really on the early side on the
9 skilled side, the nice thing with our relationship
10 with the hospital, we created an opportunity to keep
11 the skilled full by doing post-acute rehab with
12 Marion Joy.

13 So it's a really nice rehab center right
14 now until the project matures. Assisted living is
15 full. Memory care is full.

16 CHAI RMAN HORNE: When you say "full," I mean,
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17 are you talking 85 percent or 100 percent?

18 DeYOUNG: No. Generally what we're seeing,
19 we've seen a little dip in assisted living. Usually
20 we're seeing in skill 34, 35 people a day. Assisted
21 living should be operating over 90 percent on a
22 given day, and then healthcare as well.

23 Independent living is -- I think we have
24 157 people living in the building of 181 units. We

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1 have three or four additional deposits. So we're
2 really getting into that close to that 90-percent
3 occupancy range, and we're getting to the point
4 where we're running out of units of given types,
5 which also helps momentum on sales.

6 So that's a little bit about the project,
7 a little bit about Providence and their history.
8 You know, obviously we're here for any questions you
9 guys might have.

10 CHAIRMAN HORNE: Any questions?

11 GOETZ: I just think this is a really great
12 project, and I want to commend you guys for sticking
13 with it and getting it worked out and stuff.

14 How long do you have to forego your
15 management fees?

16 DeYOUNG: Well, we have -- we've never
17 collected.

18 GOETZ: Yeah, I assumed that. You got a great
19 deferred developer fee.

20 DeYOUNG: Yes. Those are -- part of the deal

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21 is we would write off all the deferred. Obviously,
22 you heard the organization has put another
23 \$5,000,000 into the project. It's actual cash, not
24 some kind of back support. It's actual cash in the

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1 project.

2 And the agreement is right now that we
3 will start collecting the \$30,000 a month --

4 GOETZ: Management fee.

5 DeYOUNG: -- management fee. And the
6 difference between that and the three-and-a-quarter
7 percent, which is still a pretty reasonable
8 management fee. The difference between the two is
9 deferred until the project could ever pay.

10 GOETZ: You're still going to earn it?

11 DeYOUNG: We'll earn it, but, you know, nice
12 theory.

13 GOETZ: Yes, right.

14 DeYOUNG: Cash in hand is maybe what happens.

15 GOETZ: Maybe some day?

16 DeYOUNG: Right.

17 LENANE: Maybe you want to speak to the
18 marketing efforts that have been approved by the
19 bondholders that you're going to be giving discounts
20 on the senior living units, an average of 10
21 percent.

22 DeYOUNG: Right. It's actually not something
23 you need to alert you. In some ways, we're giving
24 what the market has been doing over -- you know,

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1 basically since 2010, which is offering special
2 deals to sell the units and then also encourage
3 people to get into the building. Because the
4 experience we have is if people get into the
5 building, they don't want to leave.

6 So what we do is we have incentives where
7 if you move in, we will discount your entrance fee
8 up to 10 percent, depending on the timing of how
9 quickly you move in.

10 We also allow you in that situation where
11 we're encouraging you to move in, we will provide
12 you with basically an entrance-free loan on the
13 entrance fee. We'll give you up to a year interest
14 free, sorry, to pay the other 80 percent of your
15 entrance fee.

16 That's been a very successful program for
17 us. I think Barry gave the numbers. We have
18 roughly \$26,000,000 of entrance fees that have been
19 deferred by 80 people. After they sold their home,
20 they were able to pay the entrance fee.

21 So the benefit to that is people are able
22 to sell their home, you know, basically move into
23 the project, sell their home, but they get to enjoy
24 the benefit of the campus before their home is

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1 actually sold.

2 You know, it's, like I said, 88 people

3 utilize that program. So it's been a really
 4 successful program, not just us, but a lot of
 5 projects around Chicago.

6 CHAI RMAN HORNE: So is your model to sell, you
 7 know, just to pick a number, I don't know what the
 8 numbers are in terms of the values of these homes,
 9 and then do you buy them back, you know, at the time
 10 someone is deceased or they want to move?

11 DeYOUNG: Yeah. I mean, the model of the
 12 project is what you would do is, for us, we're
 13 type A CCRC. So what happens with the type A CCRCs
 14 is you come in, and you pay an entrance fee of
 15 \$400,000.

16 With that, you'll pay a monthly fee of
 17 \$3,000. The benefit that you immediately get is
 18 insurance, basically an insurance policy with that,
 19 because as you move through the continuum --

20 CHAI RMAN HORNE: Right.

21 DeYOUNG: -- your monthly fee doesn't go up.
 22 So even though, theoretically, somebody coming in
 23 from the community might have to pay \$300 a day for
 24 the nursing home, your fee is really fixed at what

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1 your entrance fee was, or I mean your monthly fee
 2 was at the beginning.

3 CHAI RMAN HORNE: Right.

4 DeYOUNG: Then what happens on the backside is
 5 after you leave the building, and we sell your unit
 6 to the next generation, we will give you back 90
 7 percent of your entrance fee.

8 CHAI RMAN HORNE: Okay, that's what I was
9 wondering.

10 DeYOUNG: So we have a very -- obviously, the
11 model is very dependent upon making sure we operate
12 well, and also that we keep the building marketable.

13 You know, we want to make sure that the
14 building doesn't get dated, and obviously you got to
15 provide great service because our number one
16 referrals are the existing residents in the
17 building.

18 CHAI RMAN HORNE: Okay.

19 GOETZ: So your fee remains the same as you
20 move through the continuum of care?

21 DeYOUNG: Yeah. It gets inflated by 3 percent,
22 but that would be about it.

23 LENANE: That's unusual, I think. I think
24 usually when you move into assisted living, the

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1 monthly fee goes up a little bit, not a lot.

2 CHAI RMAN HORNE: There's definitely usually
3 some inflation on that.

4 DeYOUNG: It depends on the project.

5 GOETZ: I can understand inflation, but
6 actually keeping it the same.

7 DeYOUNG: You know, some of the projects will
8 give you 100 days for that fee. But in our case,
9 you know, the model is really to get you through the
10 whole continuum at that rate.

11 CHAI RMAN HORNE: And so if you're operating at

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12 a discount up front, is that discount applied at the
13 back? So if you're selling it for 90 percent, and
14 you're giving a 10-percent discount, does it break
15 even, or is it 90 percent?

16 DeYOUNG: You're getting 90 percent of what you
17 pay.

18 CHAI RMAN HORNE: I see.

19 DeYOUNG: So, theoretically, if real estate
20 values go up --

21 CHAI RMAN HORNE: I get it.

22 DeYOUNG: -- then the project gets the benefit,
23 and actually the numbers -- there's an actuarial
24 number where the turnover of entrance fees generate

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1 part of the cash flow of the project out in the
2 future.

3 CHAI RMAN HORNE: So the Class B bonds are going
4 to be repaid with those entrance fees?

5 DeYOUNG: The initial ones, yeah.

6 CHAI RMAN HORNE: Okay.

7 DeYOUNG: Yeah. So as we go from 157 units
8 occupied, ultimately until every unit has been sold,
9 that's the money that is going to be used to pay the
10 B bonds down.

11 CHAI RMAN HORNE: Got it.

12 LENANE: Also, I did forget to mention, besides
13 having lower rates, they've extended the maturities.

14 DeYOUNG: Right.

15 LENANE: Which gives them some breathing room
16 on payments. It's very similar to the St. Benedict

17 restructuring, giving them lower rates on a longer
18 term to pay off the bonds, and the bondholders are
19 happy with that because they just want to get paid.

20 CHAI RMAN HORNE: Right.

21 LENANE: And they've been getting 8 percent tax
22 exempt. I mean, that's 10 percent. That's a really
23 high yield in their portfolio. And you have a great
24 relationship with your investors.

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1 DeYOUNG: The institutional .

2 LENANE: You talk with them all the time,
3 Invesco and Bernstein Alliance, and there are many
4 Ziegler projects. We have done this before.

5 It would have been nice if we could have
6 worked this out without having to go to the
7 Bankruptcy Court, but it was impossible because you
8 never can reach 100 percent of the bondholders.

9 CHAI RMAN HORNE: Right.

10 LENANE: I've tried that several times on
11 different things. You can't find them. You just
12 can't find them.

13 MEISTER: And before we close out the
14 presentation, if I could just ask Bruce Weissenthal
15 to really briefly touch upon the indemnity
16 provisions in both the 2010 and how they work
17 through the bankruptcy and the tender offer exchange.
18 Just very briefly, Bruce.

19 WEISSENTHAL: Sure. Just to pick up very
20 briefly on what Pam just mentioned, under the

21 Bankruptcy Code, in order to implement the
22 restructuring, you need two-thirds of the par A
23 bonds outstanding to approve the plan, and
24 50 percent of the bondholders, as opposed to

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1 100 percent of the bondholders under the bond
2 documents.

3 So that ease of getting consent to the
4 restructuring is the reason for the bankruptcy. The
5 bankruptcy actually provides a little bit of added
6 protection to the IFA that otherwise wouldn't be
7 available to it.

8 The plan, itself, includes a release by
9 the bondholders, and everybody who consents to the
10 plan of any and all claims that may -- or existed,
11 or may have existed, prior to the approval of the
12 restructuring plan by the Bankruptcy Court.

13 So, in fact, we get a release that
14 otherwise if they had just done 100-percent
15 bondholder consent under the documents, would not
16 have been available to us; and that bankruptcy order
17 makes that, you know, completely final and
18 enforceable for all time.

19 Secondly, the bankruptcy order will
20 reassert the IFA's indemnities that were in the 2010
21 deal, that would otherwise have lapsed when the
22 bonds were replaced by the 2014 agreements.

23 And, finally, the 2016 agreements contain
24 going forward indemnities that are, you know,

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1 traditional in a conduit bond financing of IFA.
2 So in some ways the bankruptcy, although
3 it's a little more expensive and has some -- you
4 know, however you measure reputational consequences
5 on the borrower and the IFA, it protects the IFA
6 more thoroughly than a simple bond exchange would
7 have.

8 CHAI RMAN HORNE: So a simple bond exchange
9 would have been the other option, had you not had
10 2,000 retail investors?

11 LENANE: Right.

12 CHAI RMAN HORNE: And you had unanimous consent
13 with the institution's end?

14 LENANE: Right. Exactly. Exactly.

15 CHAI RMAN HORNE: Got it.

16 GOETZ: I'll make a motion to approve this.
17 But before we do, can you explain what policy we're
18 waiving concerning nonrated bonds?

19 MEISTER: Pam?

20 LENANE: We have a policy, if you're selling
21 nonrated bonds, they have to be sold in \$100,000
22 denominations.

23 GOETZ: Okay.

24 LENANE: These can't be sold in \$100,000

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1 denominations because they are exchanged. They have
2 to be exchanged in whatever denominations they are

3 in.

4 GOETZ: I just don't know what policy we were
5 in.

6 LENANE: I'm sorry. I should have made that
7 clear.

8 GOETZ: I'll make a motion.

9 FUENTES: Second.

10 CHAIRMAN HORNE: All those in favor?

11 (A chorus of ayes.)

12 CHAIRMAN HORNE: Okay. I don't think -- I
13 think that concludes this agenda.

14 MR. ZELLER: Do you need Adam's vote?

15 MEISTER: No. I think any other business, and
16 any other public comment, and then entertain a
17 motion to adjourn.

18 CHAIRMAN HORNE: Okay. Do we have any other
19 business for this committee?

20 (No response.)

21 CHAIRMAN HORNE: Is there any public comment
22 for this committee?

23 (No response.)

24 CHAIRMAN HORNE: If none, I would ask for a

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1 motion to adjourn.

2 GOETZ: So moved.

3 ZELLER: Second.

4 FLETCHER: All in favor?

5 (A chorus of ayes.)

6 FLETCHER: The time is 9:43.

7 (WHICH WERE ALL THE PROCEEDINGS HAD at 9:43 a.m.)

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1 STATE OF ILLINOIS }
2 COUNTY OF COOK) SS:
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4 PAMELA A. MARZULLO, C.S.R., being first duly sworn,
5 says that she is a court reporter doing business in the city
6 of Chicago; that she reported in shorthand the proceedings
7 had at the Proceedings of said cause; that the foregoing is
8 a true and correct transcript of her shorthand notes, so
9 taken as aforesaid, and contains all the proceedings of said
10 meeting.

11

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