

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

ILLINOIS FINANCE AUTHORITY
REGULAR MEETING
October 12th, 2017, at 9:33 a.m.

Report of Proceedings had at the Regular Meeting of the Illinois Finance Authority on October 12th, 2017, at the hour of 9:30, a.m., pursuant to notice, at 160 North LaSalle Street, Suite S1000, Chicago, Illinois.

MARZULLO REPORTING AGENCY (312) 321-9365

♀

1 APPEARANCE:
2 ILLINOIS FINANCE AUTHORITY MEMBERS

3 MR. ERIC ANDERBERG, Chairman
MR. JAMES J. FUENTES
4 MS. ARLENE JURACEK
MS. GILA J. BRONNER (Via audio conference)
5 MR. MICHAEL W. GOETZ
MR. ROGER POOLE
6 MR. BRADLEY A. ZELLER
MR. LYLE McCOY
7 MR. TERRY O' BRIEN
MS. BETH SMOOTS
8 MR. GEORGE OBERNAGEL

9
10 ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

11 MR. BRAD FLETCHER, Assistant Vice-President
MR. RICH FRAMPTON, Vice-President
12 MS. PAMELA LENANE, Vice-President
MS. ELIZABETH WEBER, General Counsel
13 MS. XIMENA GRANDA, Controller
MR. CHRISTOPHER B. MEISTER, Executive Director
14 MR. TERRY FRANZEN, Procurement

15 GUESTS:

16 MIKE FLYNN, Chief Financial Officer, Friendship
Senior Options
17 STEVE YENCHECK, Chief Executive Officer, Friendship
Senior Options
18 BRUCE DOPKE, Attorney, Stahl Cowen Crowley Addis, LLC

19
20
21
22
23
24

MARZULLO REPORTING AGENCY (312) 321-9365

♀

3

1 CHAIRMAN ANDERBERG: Okay. I would like to
2 call the meeting to order.

3 Will the Assistant Secretary please call
4 the roll?

5 FLETCHER: Certainly. The time is 9:33 a.m.
6 Mr. Fuentes?

7 FUENTES: Here.

8 FLETCHER: Mr. Goetz?
9 GOETZ: Here.
10 FLETCHER: Ms. Juracek?
11 JURACEK: Here.
12 FLETCHER: Mr. McCoy?
13 McCOY: Here.
14 FLETCHER: Mr. O' Bri en?
15 O' BRI EN: Here.
16 FLETCHER: Mr. Obernagel ?
17 OBERNAGEL: Here.
18 FLETCHER: Mr. Pool e?
19 POOLE: Here.
20 FLETCHER: Ms. Smoots?
21 SMOOTS: Here.
22 FLETCHER: Mr. Zel l er?
23 ZELLER: Here.
24 FLETCHER: And Mr. Chai rman?

MARZULLO REPORTING AGENCY (312) 321-9365

♀

4

1 CHAI RMAN ANDERBERG: Here.
2 FLETCHER: Mr. Chair man, a quorum of Members
3 physically present in the room has been constituted.
4 At this time I would like to ask if any Members
5 would like to attend by audio conference?
6 BRONNER: Yes. Good morni ng. Thi s i s Gi l a
7 Bronner.
8 CHAI RMAN ANDERBERG: Good morni ng, Gi l a.
9 BRONNER: I am requesting to attend the audio
10 conference due to empl oyment purposes.
11 CHAI RMAN ANDERBERG: Okay. Thank you, Gi l a.

12 Is there a motion to approve this request, pursuant
13 to the bylaws and policies of the Authority.

14 OBERNAGEL: I make that motion.

15 McCOY: Second.

16 CHAIRMAN ANDERBERG: We have a second. All
17 those in favor?

18 (A chorus of ayes.)

19 CHAIRMAN ANDERBERG: Opposed?

20 (No response.)

21 CHAIRMAN ANDERBERG: The ayes have it.

22 FLETCHER: Mr. Chairman, Member Bronner has
23 been added to the initial quorum roll call.

24 BONNER: Thank you.

MARZULLO REPORTING AGENCY (312) 321-9365

‡

5

1 CHAIRMAN ANDERBERG: Does anyone wish to make
2 any additions, edits or corrections to today's
3 agenda?

4 FLETCHER: Mr. Chairman, we would like to
5 correct a typographical error with regard to CHF
6 Chicago, LLC, which is item 1 under Project Reports
7 and Resolutions, by reflecting that it is, in fact, a
8 preliminary resolution, as the Board summary report
9 in front of you, posted together with the agenda,
10 clearly demonstrates.

11 CHAIRMAN ANDERBERG: Thank you. I would like
12 to request a motion to approve the agenda as
13 amended. Is there such a motion?

14 O'BRIEN: So moved.

15 CHAIRMAN ANDERBERG: We have a motion and a
16 second?

17 FUENTES: Second.

18 CHAIRMAN ANDERBERG: And a second. Will the
19 Assistant Secretary please call the roll?

20 FLETCHER: Certainly. On the motion by Mr.
21 O'Brien, and seconded by Mr. Fuentes, I'll call the
22 roll. Ms. Bronner?

23 BRONNER: Yes.

24 FLETCHER: Mr. Fuentes?

MARZULLO REPORTING AGENCY (312) 321-9365

†

6

1 FUENTES: Yes.

2 CHAIRMAN ANDERBERG: Mr. Goetz?

3 GOETZ: Yes.

4 FLETCHER: Ms. Juracek?

5 JURACEK: Yes.

6 FLETCHER: Mr. McCoy?

7 MCCOY: Yes.

8 FLETCHER: Mr. O'Brien?

9 O'BRIEN: Yes.

10 FLETCHER: Mr. Obernagel?

11 OBERNAGEL: Yes.

12 FLETCHER: Mr. Poole?

13 POOLE: Yes.

14 FLETCHER: Ms. Smoots?

15 SMOOTS: Yes.

16 FLETCHER: Mr. Zeller?

17 ZELLER: Yes.

18 FLETCHER: And Mr. Chairman?

19 CHAIRMAN ANDERBERG: Yes.

20 FLETCHER: Mr. Chairman, the motion carries.

21 The agenda, as amended, is approved.

22 CHAIRMAN ANDERBERG: Okay. Thank you.

23 Remarks? You've seen the packets. We had a very

24 nice September for the Authority, and we've had a

MARZULLO REPORTING AGENCY (312) 321-9365

♀

7

1 busy past month, and I'll report quickly.

2 Chris and I and the COO, David Wu from

3 the Governor's Office, flew off to Washington

4 Tuesday by invite from the Federal EPA, in which

5 Scott Pruitt had addressed the room.

6 And it's kind of exciting. We're not

7 quite certain what to take -- I'll let Chris delve

8 into that -- but what to take of what the true

9 purpose of our being there is, but it looks like the

10 EPA is going to streamline how they operate.

11 They are going to cut permitting

12 processes, and it's going to mean more projects,

13 potentially, in the future, in which state revolving

14 funds, and the use of the Illinois Finance

15 Authority, would become a prominent roll.

16 It was an exciting meeting, and we had a

17 couple congressional office meetings. As one of the

18 concerns, the tax plan is maintaining the tax-exempt

19 status for the bonds, and it seems all indications

20 that is going to continue.

21 So, with that, I'll hand it over to

22 Mr. Meister.

23 MEISTER: Thank you, Mr. Chairman. Yes,

24 Chairman Anderberg and Deputy COO, David Wu, and I

MARZULLO REPORTING AGENCY (312) 321-9365

1 attended a briefing on infrastructure of water and
2 infrastructure specifically at the White House.

3 We were addressed by Administrator Pruitt,
4 also D.J. Griffin, who is the administration's lead
5 on infrastructure. It was also addressed by Alex
6 Herrgott, who is the administrator --
7 administration's lead on permitting -- project
8 permitting, expediting and streamlining.

9 The theme -- and again, I was -- I think
10 Eric and I are both trying to digest the message and
11 translate the broad strokes of the painting into
12 something succinct.

13 But the theme seemed to be stretching
14 scarce federal investment, as far as it can be done
15 with a combination of private investment, state and
16 local investment, and where you have a revenue
17 facility, whoever is paying the revenue, whether
18 it's our rate payer or taxpayer.

19 So, from the broad strokes, that should
20 set the programs of the Authority up very well,
21 whether it's conduit tax-exempt financing, or the
22 Clean Water Initiative in the State Revolving Fund.

23 How the broad strokes get translated into
24 actual day-to-day policy was a little less clear,

MARZULLO REPORTING AGENCY (312) 321-9365

1 although we were pleased to be invited.

2 We did meet with Chairman Roskam's office

3 and Congressman Hultgren and Davis's office. And I
4 think the point that Congressman Roskam's office
5 made was conduit tax-exempt financing, in
6 particular, and state and local municipal financing,
7 tax-exempt financing, in general, has wide support,
8 broad support, deep support.

9 And that Congressman Roskam has risen to
10 the defense of this tool, when it has come up in the
11 tax-writing process. He did know that since the
12 border adjustment tax proposal, which was earlier
13 this year, once that went off the table, despite the
14 support of tax-exempt financing, in general, and
15 conduit financing, in particular, he could provide
16 no guarantees.

17 But he pointed out there has been an
18 uptick in the tempo of discussions in Washington on
19 tax reform, and there may be -- the president gave a
20 speech on this topic last night, and there could be
21 more detailed proposals in a number of weeks. So,
22 it was a very useful trip.

23 CHAIRMAN ANDERBERG: Okay. Thank you, Chris.
24 Does anyone wish to make any additions, edits or

MARZULLO REPORTING AGENCY (312) 321-9365

♀

10

1 corrections to the minutes from September 14th?

2 Hearing none, I would like to request a
3 motion to approve the minutes. Is there such a
4 motion?

5 POOLE: So moved.

6 GOETZ: Second.

7 CHAIRMAN ANDERBERG: Motion and second. All

8 those in favor?

9 (A chorus of ayes.)

10 CHAIRMAN ANDERBERG: Opposed?

11 (No response.)

12 CHAIRMAN ANDERBERG: The ayes have it.

13 Presentation of financial reports. Ms. Granda?

14 GRANDA: Good morning, everyone. I am going to
15 be presenting the following items: An increase in
16 the Authority balance sheet; our quarterly financial
17 report just looking forward, an update on audits.

18 In June 2008, the Authority implemented
19 GASB interpretation No. 2, which is to disclose the
20 structure of conduit debt obligation.

21 The Authority is required to disclose the
22 outstanding bonds issued to benefit other state
23 funds in component units, which means we are
24 required to carry these bonds on the Authority's

MARZULLO REPORTING AGENCY (312) 321-9365

♀

11

1 balance sheet.

2 The Illinois Environmental Protection
3 Agency, the Illinois Medical District, the Northern
4 Illinois University Foundation all fall under this
5 category.

6 On September 12th, 2017, the Authority
7 issued the Series 2017 Clean Water Initiative bonds
8 in the amount of \$560,000,000 for the benefit of the
9 Illinois Environmental Protection Agency.

10 With this issuance, the Authority balance
11 sheet increased to \$1.5 billion in total assets.

12 The breakdown of the 1.5 billion in total assets is
13 as follows: Our general operating fund is at
14 \$57.5 million. Our non major funds are at
15 \$38.2 million.

16 The fire truck and ambulance programs are
17 at \$27.4 million. And the other State of Illinois
18 debt is at \$1.3 billion, which includes the three
19 bond issuance under the Clean Water Initiative. Is
20 there any questions on that issue?

21 Okay. Moving forward to the quarterly
22 financial report. The first quarter in fiscal year
23 2018 for the general fund started strong. Our total
24 annual revenues are at \$1.2 million, and are

MARZULLO REPORTING AGENCY (312) 321-9365

♀

12

1 \$211,000, or 21 percent higher than the budget, and
2 that is due primarily to higher closing fees.

3 In September, the Authority generated
4 \$486,000 in closing fees, which is \$245,000 higher
5 than the monthly budget of \$241,000. Our total
6 annual expenses equals \$703,000, and are \$223,000,
7 or 21 -- I'm sorry. I skipped. I'm sorry. Let me
8 start again.

9 Our total annual expenses equals \$703,000,
10 and our \$223,000, or 24.1 percent lower than budget,
11 which was mostly driven by reduction in spending on
12 professional services.

13 In September, the Authority recorded
14 operating expenses of \$230,000, which is lower by
15 \$86,000 from the budgeted amount of \$309,000. The
16 variance is between employer-related expenses and

17 professional services.

18 Our total monthly net income is at
19 \$364,000, which was driven by a reduction in
20 spending and higher-than-expected closing fees.

21 Our total annual net income is at
22 \$511,000, and the major driver of this positive
23 bottom line continues to be the level of overall
24 spending at 24.1 percent below budget, as well as

MARZULLO REPORTING AGENCY (312) 321-9365

†

13

1 higher-than-expected closing fees and an increase in
2 interest and investment income.

3 Moving on to other funds financial
4 information, in the fire truck and ambulance
5 programs, our loan repayments are due by
6 November 1st. However, some of these fire districts
7 have made their payments early.

8 In the month of September, the Authority
9 received \$698,000 in loan repayments under the fire
10 truck program, and \$59,000 under the ambulance loan
11 program. A listing of the borrowers is in your
12 Board books.

13 As mentioned earlier, in September, the
14 Authority closed the 2017 Clean Water Initiative
15 bonds in the amount of \$560,000,000. This brings
16 the other State of Illinois debt fund to a total of
17 1.3 billion in restricted assets.

18 The Authority, with the direction from the
19 Illinois Environmental Protection Agency, is working
20 with the investment manager on contract to maximize

21 the return on this fund.

22 Our total restricted investments are at
23 \$629,000,000, with an accrued investment income of
24 \$471,000. In the next quarter, the Authority will

MARZULLO REPORTING AGENCY (312) 321-9365

♀

14

1 be providing a listing of the loan awards for the
2 2017 Clean Water Initiative bonds. Is there any
3 questions on that?

4 Okay. Moving forward, looking forward, in
5 October, the Authority received an authorization
6 from the Office of the Attorney General to write off
7 another loan in the amount of \$235,000, leaving one
8 loan pending with the Office of the Attorney General
9 in the amount of about \$3,000, which was originated
10 back in April of 2001 from the predecessor
11 Authority.

12 Also, in October, the Authority is going
13 to be utilizing the offset system with the Office of
14 the Comptroller, to try to collect the annual fee
15 from a health facility in the amount of \$18,000 and
16 the remaining state receivable in the amount about
17 \$32,000.

18 The offset system is a mechanism for an
19 agency to collect the debt from payments that are
20 due to the debtor from the State. What this means
21 is the Authority will be receiving the payment to
22 pay off the debt.

23 Moving on, I just want to give you some
24 historical information. The second quarter-revenue

1 trend, supported by the performance over the last
2 years, have been very strong and is as follows: Our
3 fiscal 2014 revenues were at \$1.2 million. Fiscal
4 2015 revenues were at \$1,000,000. Fiscal 2016
5 revenues were at \$1.2 million, and fiscal 2017
6 revenues were at \$1.3 million.

7 We're hoping that the trend continues. I
8 do have a couple of closings that are coming up in
9 October, which are the Iowa Health System. It's a
10 TEFRA hearing in the amount of \$5,000.

11 Iowa Health Systems closing in the amount
12 of \$18,000, and the Navy Pier closing in the amount
13 of about \$29,000. Is there any questions on the
14 financial information?

15 Okay. Moving on to the last item is the
16 audit. The financial and compliance examination for
17 fiscal year 2017 is ongoing. The auditors are in
18 the Authority's premises; and at this point, they
19 have not brought up any issues.

20 In the coming week, our internal audit is
21 going to be performed by CMS. Once the dates are
22 finalized, it will be communicated to the Board.
23 And the last item, the internal auditor of the
24 Office of the Fire Marshal, has provided a draft

MARZULLO REPORTING AGENCY (312) 321-9365

1 report for the internal audit under the fire truck
2 loan program.

8 the Board. From the procurement report, you see we
9 have executed four orders related to small purchases
10 for the Authority.

11 One is for the upgrade of the agency's to
12 improve the security of data, one for a sponsorship,
13 and two for ongoing operations of the agency.

14 The remainder of the list are the expiring
15 contracts through the 2018 fiscal year. Questions?
16 Thank you.

17 CHAIRMAN ANDERBERG: Thank you. Committee
18 reports.

19 McCOY: Thank you, Mr. Chairman. The
20 Tax-Exempt Conduit Transaction Committee met earlier
21 this morning and voted unanimously to recommend for
22 approval of the following matters on
23 today's agenda, including CHF Chicago, LLC,
24 Northwestern Memorial Hospital, or Memorial

MARZULLO REPORTING AGENCY (312) 321-9365

♀

18

1 Healthcare, Peace Village and Iowa Health System.

2 A separate roll call was taken to
3 recommend for approval of Friendship Village of Mill
4 Creek, which is also on today's agenda.

5 The project was recommended for
6 approval -- well, not unanimously, as we had one
7 dissenting vote.

8 CHAIRMAN ANDERBERG: Thank you, Lyle. I would
9 like to ask for general consent of the Members to
10 consider the Project Reports and Resolutions
11 collectively, and have a subsequent recorded vote

12 apply to each respective individual Project and
13 Resolution, unless there are any specific Reports
14 and Resolutions that a Member would like to consider
15 separately.

16 GOETZ: Mr. Chairman, I would like to recuse
17 myself from any deliberation and voting, with
18 respect to item 3, Northwestern Memorial Hospital of
19 Project Reports and Resolutions, because my son
20 works for their financial advisor.

21 CHAIRMAN ANDERBERG: Okay. Thank you,
22 Mr. Goetz. Okay. I would like to ask the staff to
23 now present the Project Reports and Resolutions,
24 which will be considered collectively.

MARZULLO REPORTING AGENCY (312) 321-9365

‡

19

1 We'll consider item No. 3 separately at
2 the end. Thank you. Rich?.

3 FRAMPTON: Okay. Thank you, Mr. Chairman.
4 Good morning, everyone. We will begin with item 1,
5 which is a Preliminary Bond Resolution for CHF
6 Chicago LLC. CHF Chicago, LLC, is requesting approval
7 of a Preliminary Bond Resolution, in an amount not
8 to exceed \$120,000,000.

9 CHF Chicago, LLC, is a special-purpose
10 entity formed to own, finance and develop a privatized
11 multi-use building on the University of Illinois at
12 Chicago's campus.

13 The facility will be located at the
14 northeast corner of Harrison Street and Morgan
15 Street. Backing onto the property is the Eisenhower
16 Expressway. The project, itself, will be a

17 multi-purpose building that will include 550 beds of
18 student housing, approximately 51,000 square feet of
19 academic space for the university, which will be
20 subleased by CHF Chicago to the Board of Trustees of
21 the University of Illinois System.

22 Additionally, there will also be 1,700
23 square feet of retail space. That will also be
24 included in the sublease.

MARZULLO REPORTING AGENCY (312) 321-9365

†

20

1 If you look at the sources and uses of
2 funds, you will note that the university is
3 providing an equity contribution towards the project
4 of approximately \$8.6 million. This will cover
5 100 percent of the allocated cost of the retail
6 space and a portion of the academic space.

7 In terms of structure, the bonds will be
8 underwritten by RBC Capital Markets. The co-manager
9 will be Loop Capital Markets. The University of
10 Illinois at Chicago went through a procurement to
11 engage this financing team.

12 The winning bidder was American Campus
13 Communities, Inc., through their affiliate ACCSC
14 Development. American Campus Communities is based
15 in Austin, Texas. They are the -- they were
16 established in 1993.

17 They are a public read. Their stock is
18 traded under the ticker symbol ACC in the New York
19 Stock Exchange. And I would point out that this
20 particular transaction will be the fifth undertaking

21 by IFA on behalf of CHF at a university campus in
22 Illinois.

23 IFA has issued bonds previously for two
24 projects at NIU, both in 2006 and 2011. Total debt

MARZULLO REPORTING AGENCY (312) 321-9365

♀

21

1 outstanding is roughly \$130,000,000. We issued
2 \$60,000,000 for a project at Illinois state, and in
3 -- that was also in 2011.

4 And in 2015, we issued \$39,000,000 for a
5 440 bed project at NEIU. All those projects were
6 financed on a project basis. So, net operating
7 income is the key credit metric.

8 If you turn to page 16, the financial
9 forecast shows how the sublease revenues from the
10 university back to CHF helped break down the
11 break-even occupancy rate on the project, which is
12 identified on the final line of the report.

13 These numbers aren't final. The final
14 numbers will be presented next month, and those will
15 be based on what is presented in the preliminary
16 official statement.

17 Current occupancy at UIC's east campus
18 student housing is 97.3 percent in one cluster,
19 98.3 percent in the other. It's possible that UIC
20 may also be undertaking renovation at some of their
21 existing units.

22 So, it's possible that this project may
23 initially, anyway, represent replacement housing.
24 That's a fact that will be sorted out between now

MARZULLO REPORTING AGENCY (312) 321-9365

1 and when this returns next month.

2 The one other really important factor to
3 point out is UIC's enrollment. Their enrollment has
4 topped 30,000 students for the first time in their
5 history. As of the fall 2017 semester, and also for
6 the first time, their freshman enrollment surpassed
7 4,000 students.

8 The underwriter is looking at bond
9 insurance prospectively for this. This decision
10 will be made. But, in any case, CHF is applying for
11 ratings now both from S&P and Moody's.

12 And based on their current plans, this
13 financing will be presented to the full Board at the
14 U of I trustees on November the 16th, and they're
15 aiming for a mid December closing.

16 And with that, I'll conclude my remarks
17 and take any questions or comments you may have.
18 Okay.

19 CHAIRMAN ANDERBERG: Thank you, Rich.

20 FRAMPTON: Okay, thank you.

21 CHAIRMAN ANDERBERG: Pam?

22 LENANE: Let's go to No. 2, Friendship Village
23 of Mill Creek, doing business as GreenFields of
24 Geneva, and I'm just going to refer to it as the

MARZULLO REPORTING AGENCY (312) 321-9365

1 GreenFields of Geneva going forward.

2 CHAIRMAN ANDERBERG: Are you going to announce

3 the guests today?

4 LENANE: Oh, yes. All of them?

5 CHAIRMAN ANDERBERG: Yes.

6 MEISTER: Yes.

7 CHAIRMAN ANDERBERG: Yes.

8 LENANE: Okay. I can do this. Okay. We have
9 guests here today from Friendship Village of
10 GreenFields, Steve Yencheck, president and CEO; Mike
11 Flynn, CFO; the executive director of GreenFields,
12 Jim Holbrook; Bruce Dopke, their attorney; and Mike
13 Armstrong from Hamlin Capital Advisors, and also --

14 MEISTER: John Bibby.

15 LENANE: The Prince of Darkness. Don Hemmesch,
16 special counsel to GreenFields. He told me he was
17 the Prince of Darkness.

18 And also we also have John Bibby, our bond
19 counsel for Friendship Village; and also Bruce
20 Weisenthal, who is our issuer counsel.

21 Did I miss anyone? No.

22 ZEIGLER: Pam, this is Janet Zeigler. I'm on
23 the phone.

24 LENANE: Oh, and Janet Zeigler from Polsinelli,
MARZULLO REPORTING AGENCY (312) 321-9365

♀

24

1 the Polsinelli Law Firm, who is counsel to
2 GreenFields of Geneva.

3 I think the people on the right side of
4 the Board all saw the pictures this morning of the
5 existing project. If you would pass it that way.
6 The others haven't seen it. Okay.

7 So, GreenFields of Geneva is requesting
Page 20

8 that the Illinois Finance Authority approve the
9 issuance of \$67,000,000 in tax-exempt bonds to help
10 them exit a bankruptcy proceeding that they are
11 currently in.

12 This will pay off the IFA Series 2010
13 bondholders, fund certain capital expenditures,
14 including mold remediation and HVAC refurbishment,
15 funded debt reserve, an operating reserve, fund a
16 working capital fund and a funded interest account
17 and pay cost of issuance.

18 The development of GreenFields was
19 financed with the proceeds of the two Illinois
20 Finance Authority issuances of BANS, which are bond
21 anticipation notes.

22 In 2007 we issued \$5,500 in BANS; and in
23 2008, we issued \$3,335,000 in BANS. Those series
24 were paid off with the issuance of the Series 2010

MARZULLO REPORTING AGENCY (312) 321-9365

♀

25

1 bonds, IFA 2010 bonds, totaling \$117,000,000.
2 \$19.9 million of those bonds have been paid off.
3 97.67 -- 97 -- \$674,000 -- \$97,675,000 are
4 remaining.

5 GreenFields was developed as a continuing
6 care retirement community with 147 independent
7 living, 51 assisted living, 26 memory support
8 assisted living units and 43 nursing beds.

9 The community also has underground parking
10 garage and surface parking. The community is
11 located in the Mill Creek Master Plan Development

12 and is surrounded by a golf course, park, school and
13 residential neighborhood.

14 Mill Creek is located in -- excuse me,
15 Mill Creek is located in Geneva, Illinois, in Kane
16 County, which is approximately 40 miles west of due
17 west of downtown Chicago.

18 The community is situated on approximately
19 14 acres of a 26-acre campus, which includes a
20 revitalized stream and is bordered by golf holes from
21 one of Mill Creek's two on-site golf courses.

22 The community opened in 2012, and
23 encountered design and construction defects,
24 including mold that delayed the opening of the

MARZULLO REPORTING AGENCY (312) 321-9365

♀

26

1 facilities. It was also impacted by the economic
2 recession occurring at the same time.

3 Now, you're going to hear my reference to
4 mold. We have two kinds of mold here. We have the
5 mold that they found when they opened the facility,
6 and the mold that they more recently discovered
7 through the whole facility.

8 So, anyway, when they first opened, they
9 just had the first mold and the construction
10 defects. They've sued and made a recovery on the
11 construction defects. The mold issue is they filed
12 lawsuits, but that's still being litigated.

13 But they were affected, as I said, by the
14 economic recession. Things couldn't have gone
15 worse. Everything happened at the same time. With
16 the consent of the majority of the 2010 bondholders,

17 the community retained professionals who marketed
18 the community for a sale to potentially investors,
19 interested parties.

20 The bondholders executed a forbearance
21 agreement, because they weren't paying the principal
22 and interest on the debt, and the forbearance
23 agreement was for about the last two years.

24 And the bondholders were kept advised of
MARZULLO REPORTING AGENCY (312) 321-9365

†

27

1 the status of the sales of the units and the status
2 of the mold remediation on frequent investor calls,
3 which we monitored.

4 Unable to find a suitable acquirer or merger
5 partner, on April 20, 2017, Greenfields filed for relief
6 under Chapter 11 of the U.S. Bankruptcy Code, and
7 IFA retained counsel, and we monitored and
8 kept advised of all developments, plus our
9 General Counsel and our legal intern attended many
10 of the hearings.

11 The bankruptcy approved Friendship Senior
12 Options FS0. There is \$52,800 and that is going
13 through a lot of bankruptcy.

14 The information that bid was finally
15 accepted, and that bid of \$52,000,000 is part of a
16 proposed plan of reorganization, in which FS0 will
17 remain the sole shareholder of GreenFields, and the
18 outstanding 2010 bonds will be discharged with the
19 issue of the 2017 bonds, and they will come out of
20 bankruptcy.

21 The 2017 bonds are expected to be secured
22 by a pledge of gross revenues on all assets of the
23 borrower, including a mortgage on the property, a
24 debt service reserve fund of -- a debt service

MARZULLO REPORTING AGENCY (312) 321-9365

♀

1 reserve fund, a \$7.5 million liquidity fund,
2 liquidity support fund, to be held with the trustee
3 for Friendship Senior Options' taxable bonds, and to
4 be disbursed at the direction of the bondholders to
5 fund shortfalls and income available for debt
6 service, should that be necessary for GreenFields to
7 meet the required debt service coverage ratio, and
8 also shortfalls in cash, should it be necessary for
9 GreenFields to meet days cash on hand.

10 GreenFields contemplates the issuance of
11 not to exceed \$67,000,000 of tax-exempt bonds. The
12 bonds will be sold in a limited public offering by
13 Cross Point Capital, the underwriter, and purchase
14 by investors for which Capital -- Hamlin Capital
15 Management acts as investment advisor.

16 Capital will -- Hamlin Capital Advisors is
17 a limited special purpose financial advisor to
18 GreenFields, and there is a certain common ownership
19 with the bondholder representative.

20 All of this is disclosed in the offering
21 memorandum that will be delivered to purchasers of
22 these bonds before they buy the bonds.

23 GreenFields is requesting that the Series
24 2017 bonds be issued in denominations of \$25,000,

MARZULLO REPORTING AGENCY (312) 321-9365

1 less than \$100,000, and is requesting a waiver of
 2 the IFA unrated non-enhanced debt policy regarding
 3 authorized denominations.

4 However, if any Series 2017 bonds are no
 5 longer beneficially held by the bondholder
 6 representative, or clients of the bondholder
 7 representative, the authorized denominations for
 8 such bonds will be a minimum of \$250,000.

9 Hamlin Capital Advisors, a special purpose
 10 financial advisor to GreenFields -- no. That's it,
 11 minimum \$250,000.

12 The bondholder representative will deliver
 13 an investor letter signed on behalf of its clients
 14 who are accredited investors and qualified
 15 institutional buyers.

16 The letter is not a traveling letter, but
 17 any Series 2017 bonds not held by the bondholder
 18 representative, must be sold in authorized
 19 denominations of \$250,000.

20 The Series 2017 bonds are expected to be
 21 issued in a single series of fixed-rate, tax-exempt
 22 bonds at an indicative rate of 7 percent. Prior to
 23 the issuance of the Series 2017 bond, Friendship
 24 Senior Options, of which Friendship Senior Village

MARZULLO REPORTING AGENCY (312) 321-9365

1 of Schaumburg is the sole shareholder, is going to
 2 issue bonds, proceeds of which will fund equity

3 contributions of Friendship Senior Options,
4 contributions of GreenFields of \$5,000,000, a 7.5
5 liquidity support fund for GreenFields, and a debt
6 service reserve for the FS -- for the Friendship
7 Senior Option's taxable bonds and cost of issuance
8 of the FS0 taxable bonds.

9 The Friendship Senior Options' taxable
10 bonds are to be guaranteed by Friendship Village of
11 Schaumburg, an affiliate of Friendship Village of
12 GreenFields.

13 Sources and uses show that equity
14 contributions are coming from the Friendship Senior
15 Option bonds, and the uses show a capital
16 expenditures -- working capital expenditures --
17 working capital cash fund debt service reserve fund,
18 capitalized interest fund, and operating reserve
19 fund and cost of issuance. These are all on page 3
20 of your report.

21 Let us turn to page 6, where we would see
22 the current occupancy figures, which we discussed at
23 the Committee meeting. Page 6, the current
24 occupancy is page 6, year-to-date census.

MARZULLO REPORTING AGENCY (312) 321-9365

♀

31

1 The current occupancy, as you can see, the
2 total census is 79.9 percent, independent living of
3 which 86. -- 86 percent is independent living, 62%
4 assisted living, and 90 percent skilled nursing.

5 As we compare that to page 13, over here
6 in the assumptions that the projections are based
7 on, it shows -- and, again, you can compare one to

8 the other, the occupancy table on page 13.

9 The occupancy assumption shows a total
10 census in 2018 of 83.15 percent independent total,
11 independent living 87 percent, total assisted living
12 68.6 percent, and skilled nursing of 93 percent.

13 As you can see -- well, and across the
14 board, the skilled nursing stays pretty full. They
15 have Medicaid certificate -- Medicare or Medicaid?

16 Medicare certification currently, and that
17 has never really been a problem. The independent
18 living actually stayed pretty consistent, even
19 through the bankruptcy, but it hasn't sold as well
20 as it should because of the bankruptcy and the mold.

21 The assisted living at 68. The assisted
22 living has always been an issue for GreenFields, and
23 they will be making, after its infusion of capital,
24 an increased effort to solve the assisted living.

MARZULLO REPORTING AGENCY (312) 321-9365

♀

32

1 They have a very aggressive target here to
2 meet. The total assisted living in 2019 -- the jump
3 from 18 to 19 isn't really bad. It's go from 62 to
4 68, but the jump to 83.87 in 2019 is a good jump.

5 And, so, we were looking carefully at
6 that. The marketing study will also be included in
7 the offering memorandum. It shows that their
8 current rate population growth of those over 75 is
9 projected to grow 3.6 percent over the next
10 five years in their market area.

11 And prospective residents that are

12 considered income qualified is expected to grow by
13 1,138,000 households or 13.63 percent over the
14 next five years.

15 As I said, GreenFields' challenge has been
16 the assisted living, but what distinguishes
17 GreenFields from the competition is that you can
18 enter assisted living through a life -- you don't
19 have to come from independent to assisted living.

20 You can enter into assisted living, and
21 through a life-care agreement, or a rental
22 agreement, which I guess, you know, some people
23 would find more -- find more acceptable than a
24 fee-income model.

MARZULLO REPORTING AGENCY (312) 321-9365

†

33

1 Neither competitors in the market area
2 offer a life-care agreement. You can also get a
3 life-care agreement when you enter assisted living.

4 Currently, there's an audit opinion being
5 issued by CliftonLarsonAllen. It contains the audit
6 for FSO and its consolidated affiliates, which will
7 be included in the offering memorandum for FY2017.

8 There will be inclusion of a going
9 concern, but that will be after they come out of
10 bankruptcy. That will be reissued, and then the
11 going concern would go away.

12 We talked about projected occupancy. I
13 would also like to call your attention to page 16
14 and 17, which show how important -- shows two
15 important figures that we usually look at.

16 On page 16, we have the debt service

17 coverage ratio of 1.12. As they go to 1.10, they
18 are in default. Over in days cash on hand, we have
19 147 days cash on hand, and minimum cash is 129.

20 So, these are tight medians, but the
21 bondholder representative can fill this, make a call
22 on the liquidity support agreement, and bring them
23 back into compliance on these -- with the
24 \$7.5 million.

MARZULLO REPORTING AGENCY (312) 321-9365

†

34

1 Well, I guess, in conclusion, Friendship
2 Village has been a -- Friendship Village of
3 Schaumburg has been a long-time borrower, and done a
4 good job, and GreenFields is just -- it has its
5 problems and issues.

6 And with this money, they will be able to
7 exit bankruptcy and get a new start, but they're
8 going to have to really work hard. It's going to be
9 dependent on management to sell the units and get
10 the projected occupancy up; I mean, meet those
11 targets, and I think we will be having investor
12 calls to track that progress.

13 Do you have any questions?

14 O' BRIEN: I have some questions.

15 LENANE: Sure.

16 O' BRIEN: Let's go to page 14.

17 LENANE: Yes, sir.

18 O' BRIEN: I would like somebody to explain to
19 me specific -- this is only the independent living.
20 We haven't really gotten into the other levels of

21 care that are allowed.

22 But just take line one, Aster.

23 LENANE: Yes.

24 O' BRIEN: 18 units, one bedroom one bath 747

MARZULLO REPORTING AGENCY (312) 321-9365

♀

35

1 square feet?

2 LENANE: Yes.

3 O' BRIEN: Rent is roughly \$2525 per month,
4 which would indicate a square foot well in excess of
5 3 bucks a square foot monthly.

6 My question, first of all, is the
7 \$322,000, you walk in the door, and you lay down
8 \$322,000; is that correct?

9 LENANE: Yes.

10 O' BRIEN: All right. And when you pass away or
11 move out, what does I, the tenant, or whatever you
12 want it call me, what do I get back?

13 MEISTER: And, Pam, we have the GreenFields
14 folks.

15 LENANE: Mike Flynn.

16 FLYNN: Good morning. My name is Michael. I'm
17 the CFO for Friendship Senior Option's parent
18 organization.

19 And the way our program works is we have
20 what's called a type A life-care contract, which
21 basically means that when a resident moves in, they
22 pretty much have the same fee that they pay,
23 regardless of level of care.

24 So, if a resident is paying, let's say,

MARZULLO REPORTING AGENCY (312) 321-9365

1 \$3,500 a month in independent living when they go to
 2 assisted living or nursing care, they are pretty
 3 much paying the same thing, plus any ancillary
 4 costs and extra meals.

5 So, one of the reasons why the entrance
 6 fee is fairly significant is it helps to subsidize
 7 that higher level of service when they need it at a
 8 higher level of care.

9 Your question was regarding refunds, and
 10 our primary -- well, we have a couple different
 11 refund options, but most people are on a 90-percent
 12 refund contract, which basically means they get
 13 90 percent of the entrance fee back.

14 O' BRIEN: So, this is 90 percent no matter how
 15 long they stay there; is that what you're saying?

16 FLYNN: That is correct, yes.

17 O' BRIEN: And that independent living is paying
 18 the \$322,000 and the \$2,525 per month you see on the
 19 first line?

20 FLYNN: Right.

21 O' BRIEN: What kind of services do they get
 22 that you wouldn't get if you rented an apartment, or
 23 you owned a condominium in the building?

24 Do they get any additional services? I'm

MARZULLO REPORTING AGENCY (312) 321-9365

1 saying, without an increase in pricing.

2 FLYNN: With independent living, itself, they

3 are getting weekly housekeeping.

4 O' BRIEN: What do you mean by weekly
5 housekeeping? They come in dust and vacuum the
6 unit?

7 FLYNN: Yes. And then they get a meal per day
8 included in their contract.

9 LENANE: They get one meal.

10 FLYNN: Yes, one meal per day. They get access
11 to all the services and amenities, fitness center.

12 O' BRIEN: Which you would get in any of the
13 rental condominium development. I'm just trying to
14 distinguish the difference between what services you
15 will give them for this amount versus if they went
16 and bought a condominium for \$322,000, or they
17 rented an apartment for \$2,525.

18 FLYNN: Well, again, I guess it's the entire,
19 you know, programming that they get as a senior --
20 you know, all the lifestyle programming, you know,
21 some meals, the housekeeping.

22 Pretty much everything is taken care of
23 for them when they live in the CCRC. Again, one of
24 the primary benefits, like I said -- you know, in

MARZULLO REPORTING AGENCY (312) 321-9365

♀

38

1 essence, they are buying an insurance product
2 because, again, they've got access to assisted
3 living or skilled nursing at significantly reduced
4 rates.

5 And that's part of the reason why the
6 monthly fee and entrance fee combined are priced the
7 way they are so that it covers the cost of their

8 future.

9 O' BRIEN: So, when one moves to the next stage,
10 does one guarantee a space in the next level down or
11 up, whichever you want to look at it from
12 independent sources?

13 FLYNN: They're guaranteed -- I mean, they have
14 a preference. I mean, right now, I say "preference"
15 because if they were completely full --

16 O' BRIEN: Yes.

17 FLYNN: -- that may be a challenge, you know,
18 if we didn't have space available, but right now
19 that's not an issue. We don't expect -- in
20 actuality, we expect to have space available for
21 everybody.

22 O' BRIEN: And when you go to the next stage, do
23 you stay in the same unit, or do you go to -- you
24 know, or do they move to a different type of unit?

MARZULLO REPORTING AGENCY (312) 321-9365

♀

39

1 FLYNN: They move to a different type of unit.

2 O' BRIEN: Again, I'm just going now -- I'll
3 take your bottom one, the Jasmine combo, two
4 bedrooms one den, et cetera, et cetera, et cetera.

5 Somebody is putting down \$705,000 and
6 paying X dollars rent, when they go to the next
7 level, whether that is up or down, again, they may
8 end up in a one bedroom or a hospital room; is that
9 fair to say?

10 FLYNN: Well, if they go to assisted living, it
11 will most likely be a one-bedroom unit, and they're

12 going to pay what's called a daisy rate.

13 I believe the daisy rate is about \$3,500 a
14 month. So, they will actually have -- because they
15 are in a large unit, they will have a reduction in a
16 monthly fee.

17 O'BRIEN: Well, that they should. If you are
18 going from a two bedroom, two den, down to a single
19 bedroom, or just a room that is typical in a nursing
20 home room -- I'm trying to understand.

21 The dollars and cents I just question.

22 FLYNN: The difference is going to be the level
23 of service they receive.

24 O'BRIEN: That I realize.

MARZULLO REPORTING AGENCY (312) 321-9365

‡

40

1 FLYNN: When they go to assisted living, there
2 is 24-hour nursing care. There's a plan in place to
3 meet their -- we call it activities of daily living.

4 So, if they need assistance with dressing,
5 bathing, toileting, those services are all part of
6 the program; and then in skilled nursing, there is
7 even a higher level of service.

8 O'BRIEN: I understand all that. But then I
9 noticed when you put a second person into these
10 units, it's another \$980 additional; is that
11 correct?

12 FLYNN: That is correct, yes.

13 O'BRIEN: So, then, my rent would be roughly,
14 on the first line, instead of \$2,525 somewhere
15 around \$3,535, give or take; is that correct?

16 FLYNN: Correct.

17 O' BRIEN: And with that, I get one meal a day?

18 FLYNN: Right.

19 LENANE: You also -- you'll have cooking
20 facilities in your apartment.

21 O' BRIEN: I would hope you would have that in
22 any condominium or rental apartment as well.

23 When they move up to assisted living, or
24 down to the assisted living, do they get three

MARZULLO REPORTING AGENCY (312) 321-9365

†

41

1 meals?

2 FLYNN: They get three meals.

3 O' BRIEN: And those deposits go into escrow?

4 FLYNN: They do not go into escrow.

5 O' BRIEN: So, if I give you \$320,000, it's not
6 in escrow?

7 FLYNN: No.

8 O' BRIEN: You're going to use it for everyday
9 operations?

10 FLYNN: Right. And the way the program is
11 designed --

12 O' BRIEN: How do I get my money back?

13 FLYNN: The refunds are issued upon
14 re-occupancy of their units. It's kind of like
15 selling a house. When you resell it, then the
16 entrance is reissued.

17 O' BRIEN: So, depending upon your ability to
18 resell it -- and what would the prices be, then?

19 Let's say I'm there five years. Is there
20 any built-in inflation, or is it open market, sell

21 it for whatever you can get?

22 FLYNN: There is built -- well, we look at our
23 entrance fees every year and determine whether or
24 not we're going to increase it based on the market.

MARZULLO REPORTING AGENCY (312) 321-9365

♀

42

1 Typically, there's going to be a slight
2 increase in the entrance fee every year. So, it
3 will go up. So, from our standpoint, as an
4 organization, we're going to get the difference
5 between the new entrance fee, which is going to be
6 greater, and the 90-percent refund. So, we get that
7 positive cash flow.

8 O' BRIEN: So, then, if it went up to, say,
9 \$400,000, I get 90 percent of my \$322,000?

10 FLYNN: Correct.

11 O' BRIEN: You be keep the rest; is that what
12 you're saying?

13 FLYNN: Yes.

14 O' BRIEN: So, then, there's no inflation built
15 in for the re-owner?

16 FLYNN: You are correct.

17 O' BRIEN: So, you're locked in at that number?

18 FLYNN: Right.

19 O' BRIEN: And there's no escrow?

20 FLYNN: Correct.

21 O' BRIEN: Okay, thank you.

22 FLYNN: You're welcome.

23 GOETZ: I have just a quick. How much of the
24 cost does Medicare cover?

MARZULLO REPORTING AGENCY (312) 321-9365

1 FLYNN: Medi care is speci fi cally to skilled
2 nursi ng.

3 GOETZ: Only for skilled nursing?

4 FLYNN: Just skilled nursing, and the way that
5 works is based on what they call RUGs category.
6 So, it's really the care level. So, based on care
7 level, we get a fixed rate from Medi care.

8 GOETZ: Thank you.

9 LENANE: And they do pay real estate taxes.
10 Did you see that?

11 O' BRIEN: Yes, I saw that.

12 LENANE: Okay. Well, you always ask that
13 questi on.

14 McCOY: What I would like do, because I can't
15 just comment quickly, for those that weren't in the
16 Commi ttee meeting, and for the fellow Board Members,
17 I think the challenges we saw here in the Commi ttee,
18 and what we've heard, and some small points were
19 raised with respect to the structuring fee,
20 management fee.

21 I think the big one was the ability to
22 realize some of the occupancy absorp ti on, when you
23 look at the numbers here going forward.

24 You know, you can see, and Pam hit on it,

MARZULLO REPORTING AGENCY (312) 321-9365

1 that the debt service ratios are tight, and I think
2 the concern was, you know, can you realize on these

3 numbers going forward? Can you bring these other
4 people into the facility?

5 I think it was great to have
6 representatives here today that addressed those
7 questions, because it does become a marketing issue.

8 And, so, I think in a lot of cases, you
9 tricked us to saying, "Yes, this is something to
10 do."

11 Existing bondholders will get -- I think,
12 you touched on it 55 cents on the dollar here.

13 LENANE: Yes. I didn't mention it yet.

14 McCOY: But that was the issue, I think, that
15 we generally looked at as being the big constraint
16 or the issue that we had to get around.

17 And the other one, just in terms on
18 page 13, the inflation assumptions, the fact that
19 annual fee increases were 4.25 percent, was a
20 discussion point as well.

21 GOETZ: That pretty much answered that.

22 McCOY: Yes, I actually agree with that.

23 O'BRIEN: Question: Is this going to be a
24 separate roll call?

MARZULLO REPORTING AGENCY (312) 321-9365

♀

45

1 CHAIRMAN ANDERBERG: We can make a separate
2 roll call.

3 O'BRIEN: Please do so.

4 CHAIRMAN ANDERBERG: I will do so.

5 LENANE: Okay. I think Steve Yemcheck would
6 like to make a -- this executive CEO of Friendship
7 Village -- no, you're the CEO of Friendship Senior

8 Options.

9 YENCHECK: Friendship Senior Options.

10 LENANE: And GreenFields of Geneva.

11 YENCHECK: Correct.

12 LENANE: He's everything. And the Friendship
13 Village of Schaumburg.

14 YENCHECK: Good morning. We appreciate the
15 opportunity to appear before the Board today.

16 I did want to add just one piece of
17 information that I think wasn't discussed as our CFO
18 was answering your question, Mr. O'Brien, about some
19 of our fee issues.

20 One thing I think is very important for
21 the Board to keep in mind here is we are a
22 tax-exempt organization. We are not-for-profit.

23 GreenFields Friendship Senior Options,
24 Friendship Village of Schaumburg, we have a 40-year

MARZULLO REPORTING AGENCY (312) 321-9365

‡

46

1 tradition of that in our Schaumburg location.

2 We now have a five-year tradition of
3 operating that way at GreenFields. And one of the
4 things that that allows us to do is to maintain a
5 commitment to the residents who enter into a
6 life-care agreement at either our Schaumburg
7 location or at GreenFields, that we will make a
8 commitment that if they exhaust their resources,
9 through no fault of their own, we will take care of
10 them for the rest of their life.

11 So, this is not a situation like a normal

12 rental. We offer rental programs because not
13 everyone is interested in life-care products at
14 times. So, we have a market that we respond to with
15 different types of products, but our real core is
16 around that life-care contract.

17 At Schaumburg, because we're 40 years old,
18 at any given point in time, we have somewhere in
19 excess of a dozen residents who are centenarians.
20 Our oldest resident at the present time I believe is
21 105 years old.

22 We have residents there that have been
23 with us -- I've been in the organization
24 approximately 20 years. We have residents that were

MARZULLO REPORTING AGENCY (312) 321-9365

†

47

1 there when I arrived.

2 I was speaking with one of them just last
3 week, who is now 102 years old, and I had to stop
4 and think, "I've known her since she was 82." And,
5 so, we've kind of grown up together in that regard.

6 But our commitment to her, okay, at age
7 102, and whether or not she plans successfully for
8 her financial future, is as strong to any of the
9 residents.

10 The oldest one at GreenFields has only
11 been there five years. So, as GreenFields matures,
12 that same promise, and that same commitment, is
13 there.

14 At the Schaumburg location, that number of
15 subsidized care, what we refer to as benevolent care
16 on annual basis, is somewhere just under \$700,000 a

17 year. So, that prospect of the community aging in
18 place, as it will at GreenFields, is one that we're
19 prepared to address as well, and that's an important
20 part of our mission, why we do what we do.

21 GOETZ: Let me clarify one thing, to make sure
22 everybody on the Board understands this.

23 So, if I'm living there, and I'm paying my
24 \$2,525 a month in rent, and something happens to me

MARZULLO REPORTING AGENCY (312) 321-9365

†

48

1 financially, and I don't have that money anymore,
2 you don't kick me out?

3 YENCHECK: We don't kick you out, which is very
4 different. When you think about, in particular, I
5 don't want to throw rocks at the assisted living
6 industry, but --

7 GOETZ: I also own one, by the way.

8 YENCHECK: Even more so. But, generally
9 speaking, most of the assisted living is brought to
10 the marketplace on a rental basis. Okay?

11 It doesn't come with a promise of care for
12 life. It doesn't come with the ability to provide
13 skilled nursing care, like our community does.

14 So, to compare us to a condominium
15 structure, or just an apartment structure, is only
16 partially correct. You have to look at the entirety
17 of the program.

18 Our assisted living program offers both,
19 because we have folks that have moved into the
20 community under a regular life-care contract in

21 independent living and have now moved through the
22 continuum to some other level of service, as their
23 needs have changed.

24 We have four different levels of service
MARZULLO REPORTING AGENCY (312) 321-9365

♀

49

1 from memory support, assisted living and skilled
2 care, or that we have some folks that have just
3 joined the community because they've been living at
4 home privately, and now something has happened.

5 And when you're 75 years old or not, every
6 six months something happens. You can almost set
7 your watch by it. And those folks are the ones that
8 we see on the doorstep frequently that are saying,
9 "I want to move into assisted living right now."

10 And those folks tend to be more interested
11 in a rental agreement, as opposed to folks that have
12 taken a longer-term view of planning for their
13 future of residency and care, and those are the
14 folks who tend to be more interested in life-care
15 contracts.

16 O'BRIEN: So, let me ask you a question.
17 You're talking about rental. That's completely
18 different than what this program is; is that
19 correct?

20 YENCHECK: I don't know what document --

21 O'BRIEN: You said rental. It seems to me it's
22 more than rental here. It's -- you're also dropping
23 \$322,000.

24 YENCHECK: The program that I believe is in your
MARZULLO REPORTING AGENCY (312) 321-9365

1 document is describing our normal life-care
2 contract.

3 O' BRIEN: Yes.

4 YENCHECK: The model where you have an entry
5 fee. You have an entry fee --

6 O' BRIEN: Right. But I want to talk about you
7 mentioned rental. Some people prefer rental.

8 So, you're not offering that program here;
9 is that correct?

10 YENCHECK: We have a rental program in our
11 assisted living area.

12 O' BRIEN: Only your assisted living?

13 YENCHECK: Assisted living area, that's correct.

14 O' BRIEN: Okay. And then if somebody goes in
15 there, and after five years, they can't afford it
16 anymore, you're saying you're going to take care of
17 them in perpetuity or whatever?

18 First of all, you will burn off the
19 \$322,000 I deposited, correct?

20 YENCHECK: Well, first of all, we wouldn't be
21 looking at just a five-year situation. Well, let me
22 explain.

23 Mike mentioned that there is an insurance
24 philosophy, if you will, basically that kind of

MARZULLO REPORTING AGENCY (312) 321-9365

1 underlies the program. Every year we undergo an
2 actuarial assessment to review the actuarial health

3 of the community.

4 Every resident that moves in is taken
5 through both an assessment from their health status,
6 and their needs status, and also their financial
7 standing to seek will they qualify for the contracts
8 in something that will be supported by their
9 actuarial lifetime.

10 Some folks will outlive that projection on
11 an actuarial basis. Okay? If they do, then we have
12 the protections, if you will, of being able to use
13 their entry fee.

14 If that entry fee is exhausted, and
15 they're not able -- they don't have a different
16 source of income, we will use that entry fee to pay
17 for their future care.

18 If that's exhausted, and as I said, as the
19 community tends to age, a lot more people with that,
20 because that tends to be the situation. Then we
21 will provide benevolent care for those folks for the
22 rest of their life.

23 O' BRIEN: Is that written in the contract when
24 they enter it?

MARZULLO REPORTING AGENCY (312) 321-9365

‡

52

1 YENCHECK: Yes, it is.

2 O' BRIEN: Is that written in for the
3 independent living or just the assisted, or however
4 it works?

5 YENCHECK: It's written into where we have our
6 life-care agreements, and the life-care agreement
7 has the entry fee. So, we're independent living, or

8 for someone coming into assisted living under the
9 life-care agreement.

10 We also have an assisted living rental
11 contract, which does not offer the same benefits.

12 O' BRIEN: Thank you.

13 YEMCHECK: Thank you.

14 CHAIRMAN ANDERBERG: Thank you.

15 MEISTER: Steve, before you go, could you just
16 share your years of experience, and the type of
17 experience your management team has in this sector
18 just so the Board -- the Members of the Board that
19 were not in the Committee meeting fully understand
20 the depth and breath of this the experience of the
21 management team.

22 YEMCHECK: I would be pleased to. Let me start
23 with we have three of them here with us today.

24 Jim Holbrook is our executive director.

MARZULLO REPORTING AGENCY (312) 321-9365

♀

53

1 Jim has been with us two years. We've been
2 fortunate.

3 After a distinguished career at Lutheran
4 homes in Arlington Heights, where Jim served as the
5 senior vice-president of operations there, or I am
6 getting the number wrong?

7 HOLBROOK: Ten years.

8 YEMCHECK: Ten years. And brings a wealth of
9 experience, and very well regarded in the field.
10 Mike Flynn, our CFO, was there before I was.

11 I've been there since 1997. Mike greeted

12 me at the door when I first arrived there, and Mike
13 was with us for about six of my first years, and
14 then became the CEO at another community here in
15 Chicago.

16 When I became the CEO of Friendship
17 Village, I was able to coax Mike to come back and
18 sign on again with us. So, Mike's total tenure with
19 us is in excess of 20 years, and Mike is very well
20 known in the field, and serves as an advisor for our
21 national accreditation body, as well as on some of
22 our national financial panels as well.

23 I, myself, have been with the organization
24 since 1997, after spending about 20 years as a

MARZULLO REPORTING AGENCY (312) 321-9365

‡

54

1 hospital administrator here in Chicago, and also on
2 the east coast.

3 MEISTER: And, also, and I know Pam touched on
4 it, but it's worth emphasizing the distinguishing
5 and then describing Friendship Senior Options,
6 Friendship Village of Schaumburg, and how that would
7 interact with GreenFields, the borrower, in your
8 proposed program?

9 YEMCHECK: Certainly. As I mentioned a few
10 minutes ago, Friendship Village of Schaumburg is the
11 original corporation, if you will. It goes back 40
12 years. It's actual name is Evangelical Retirement Homes
13 of Greater Chicago. It's been here as a borrower a
14 number of times over the years.

15 As it was looking to continue its growth,
16 as that's what led to the agreement of GreenFields,

17 it created a parent company, which Pam has
18 identified as the sole member of Friendship Village
19 of Schaumburg, and also serves as the sole member of
20 GreenFields of Geneva, or its legal name is
21 Friendship Village of Mill Creek.

22 We also have a foundation called
23 Friendship Senior Options Foundation, and a fourth
24 company, which is called Friendship Village

MARZULLO REPORTING AGENCY (312) 321-9365

†

55

1 Neighborhood Services, where we've offered a variety
2 of products, including adult daycare in the various
3 markets in the Schaumburg area that we serve.

4 CHAIRMAN ANDERBERG: Very good. Thank you.

5 YEMCHECK: Thank you.

6 LENANE: Well, in wrapping up, I think we know
7 they have a lot of work to do. It depends on their
8 ability to fill the units and meet their occupancy
9 projections, in order to meet their revenue
10 projections.

11 They have the backup of the 7.5 liquidity
12 agreement to help them if they need it. We have
13 experienced management.

14 I should say -- I should mention all the
15 residents are very happy who live there currently,
16 and they've lived through all of this, and they have
17 great occupancy.

18 I, myself, was shocked a little bit with
19 the entrance fee model on the assisted living, and
20 -- but it is the model and people do pay this annual

21 monthly fee. So, I also -- we should consider the
22 alternative, if we don't vote to approve this.

23 There won't be any funding of Friendship
24 Senior Options or GreenFields of Geneva. It will go

MARZULLO REPORTING AGENCY (312) 321-9365

♀

56

1 into a straight bankruptcy. There really is no known
2 other issuer for these bonds.

3 And you should remember these were our
4 bonds, the 2010 bonds. We have a duty to the
5 residents, I think, or an obligation, to keep them,
6 you know, in where they are.

7 If we go into a straight bankruptcy, the
8 bondholders get zero, and the creditors get zero.

9 Correct?

10 Well, not quite correct. But, anyway, it
11 won't be pretty. How's that? It won't be pretty.
12 I mean, I think the projections are rosy, but this
13 is the only chance they have. So --

14 O' BRIEN: Question? If it goes into
15 bankruptcy, what will happen to the residents did
16 you say?

17 LENANE: Well the residents, their entrance
18 fees are held in, you know, they are held in escrow.

19 So, you know, they will stay there.

20 O' BRIEN: Pam, what do they get now?

21 DOPKE: Bruce Dopke. I represent GreenFields
22 in its Chapter 11 case. I just wanted to say that
23 all of the active parties in that case, my client
24 GreenFields, the bond trustee for the existing 2010

MARZULLO REPORTING AGENCY (312) 321-9365

1 bonds, and the IFA, who is counsel has participated
 2 throughout the process and has contributed valuably
 3 to the outcome; and the court, itself, expressed a
 4 desire to make the whole Chapter 11 process as
 5 painless as possible for the residents.

6 When the property, itself, is marketed, as
 7 part of the bankruptcy process, one of the
 8 stipulations that was included was that no one is
 9 going to be considered to be qualified to acquire
 10 GreenFields, unless they agree to fully assume all
 11 residency agreements, including the residency
 12 agreements of residents who had moved out and had
 13 not yet received their entrance fee.

14 O' BRIEN: That would make them whole?

15 DOPKE: That would make them entirely whole,
 16 sir.

17 O' BRIEN: Okay.

18 DOPKE: And so has been the effort. Now, THE
 19 bondholders will take a percentage of what they're
 20 owed, and there was really not much more that we can
 21 do about that.

22 The plan, itself, was driven by a
 23 marketing effort that sought to get the highest and
 24 best bid from anyone. And it so happened that FS0

MARZULLO REPORTING AGENCY (312) 321-9365

1 presented the highest bid, in terms of cash, in
 2 terms of contingency.

3 And the bond trustee, who is UMB Bank, is
4 serving as the bond trustee, and their counsel,
5 Mintz Levin, who has been through this sort of
6 affair multiple times, didn't approve the FS0 bid
7 necessarily out of popularity of my client, but it
8 was a hard recognition that this was probably the
9 best --

10 O' BRIEN: My question was: What happens if you
11 go into bankruptcy?

12 FLYNN: What happens if we go into bankruptcy
13 again?

14 O' BRIEN: Yes.

15 DOPKE: We wouldn't go into bankruptcy again.
16 The case would be converted to a liquidation case
17 under Chapter 7.

18 O' BRIEN: That is what I meant.

19 DOPKE: I'm sorry. I didn't know that was your
20 question. A trustee would be appointed to operate
21 the business would have the ability to keep it
22 running or close it.

23 The assurances, which have been put into
24 place through the Chapter 11 plan, that hopefully

MARZULLO REPORTING AGENCY (312) 321-9365

♀

59

1 the Bankruptcy Court will confirm a week from today,
2 two weeks from today.

3 The protections for all of the residents,
4 and for the return of their entrance fees, would no
5 longer be effective. The property -- the future of
6 the property would be in doubt. It could get
7 extremely ugly. I guess that's the best way --

8 LENANE: I think I said that.
9 DOPKE: Yes.
10 LENANE: They get nothing.
11 DOPKE: Extraordinarily ugly. And, you know,
12 I'm not sure what I would say to any of the
13 residents who are currently living at GreenFields
14 right now about their futures.
15 LENANE: They are not secured creditors,
16 correct?
17 DOPKE: No, they are not.
18 O' BRIEN: Under the new plan, they are still
19 not secured creditors?
20 DOPKE: No, but they're --
21 O' BRIEN: That's all I asked. Thank you.
22 DOPKE: They are not secured. Okay. Thank
23 you.
24 GOETZ: Mr. Chairman, if it's appropriate, I
 MARZULLO REPORTING AGENCY (312) 321-9365

♀

60

1 would like to make a motion to have a separate vote
2 on this.
3 FUENTES: I'll second.
4 MEISTER: And one more quick note. Pam noted,
5 just to clarify, it is -- the Authority does not
6 have a legal duty to the residents or this borrower.
7 We are strictly, by law, a conduit issuer.
8 So, I just want to make that clarification.
9 GOETZ: Chris, there is a motion and a second.
10 CHAIRMAN ANDERBERG: We have a motion to vote
11 on Project Report No. 2. We have a motion and a

12 second.

13 So, will the Assistant Secretary please
14 call the roll?

15 FLETCHER: This motion is to adopt item No. 2,
16 Friendship Village of Mill Creek, doing business as
17 GreenFields of Geneva.

18 We are withholding vote for CHF Chicago,
19 LLC, until later. There is a motion by Mr. Goetz,
20 and second by Mr. Fuentes. On that motion and
21 second, I'll call the roll for item No. 2.

22 Ms. Bronner on the line?

23 BRONNER: Yes.

24 FLETCHER: Mr. Fuentes?

MARZULLO REPORTING AGENCY (312) 321-9365

♀

61

1 FUENTES: Yes.

2 FLETCHER: Mr. Goetz?

3 GOETZ: Yes.

4 FLETCHER: Ms. Juracek?

5 JURACEK: Yes.

6 FLETCHER: Mr. McCoy?

7 MCCOY: Yes.

8 FLETCHER: Mr. O'Brien?

9 O'BRIEN: No.

10 FLETCHER: Mr. Obernagel?

11 OBERNAGEL: Yes.

12 FLETCHER: Mr. Poole?

13 POOLE: Yes.

14 FLETCHER: Ms. Smoots?

15 SMOOTS: Yes.

16 FLETCHER: Mr. Zeller?

17 ZELLER: Yes.
18 FLETCHER: And Mr. Chairman?
19 CHAIRMAN ANDERBERG: Yes.
20 FLETCHER: Mr. Chairman, the motion carries for
21 the approval and adoption of item No. 2.
22 CHAIRMAN ANDERBERG: Okay. Thank you. Pam,
23 you can continue.
24 LENANE: Okay. Next on the agenda is
MARZULLO REPORTING AGENCY (312) 321-9365

†

62

1 Northwestern Memorial Healthcare.
2 JURACEK: No, item 4.
3 CHAIRMAN ANDERBERG: Peace Village.
4 LENANE: Peace Village. Sorry, 4. Peace
5 Village is here -- sorry. Peace Village is here for
6 preliminary resolution in the amount of \$20,000,000.
7 Bond proceeds will be used by Peace to refund a
8 portion of the outstanding principal balance of the
9 IFA Series 2013 revenue bonds.
10 I'll tell you all about Peace at the final
11 resolution. It's located in Palos Park. It is a
12 continuing care retirement community that has two
13 levels of care. It does not have the skilled
14 nursing, and -- but they get a credit.
15 This will be a direct bank purchase by a
16 bank to be selected by the borrower. The financials
17 for Peace show good debt service coverage of 1.62
18 and 155 days cash on hand. Estimated net present
19 value savings are around \$2.3 million, which is
20 17.8 percent of the refunded bonds. Any questions?

21 Okay.

22 CHAIRMAN ANDERBERG: Iowa.

23 LENANE: Iowa. Iowa Health System, doing
24 business as UnityPoint Health Pekin Hospital, came

MARZULLO REPORTING AGENCY (312) 321-9365

♀

63

1 to the Board last September and requested and
2 secured an approval of \$20,000,000 bond financing to
3 finance the cost of acquisition and construction of
4 a medical office building located at 3591 Griffi n
5 Avenue, Pekin, Illinois.

6 The resolution passed with a roll call
7 vote. It was subsequently discovered that they
8 failed to include a project amounting to
9 approximately \$1.3 million in the TEFRA and the Bond
10 Resolution.

11 So, this is to clean up the TEFRA, clean
12 up the resolution, and this is \$1.3 million of air
13 ducts, temperature controls, et cetera, at Pekin
14 Memorial Hospital.

15 Any questions? Okay. Northwestern --

16 CHAIRMAN ANDERBERG: No, wait.

17 GOETZ: We've got to vote on it.

18 CHAIRMAN ANDERBERG: Thank you, Pam. All
19 right. So, I would like to request a motion to pass
20 and adopt the following Project Reports and
21 Resolution: Item 1, 4 and 5. Is there such a
22 motion?

23 McCOY: So moved.

24 GOETZ: Second.

MARZULLO REPORTING AGENCY (312) 321-9365
Page 54

1 CHAIRMAN ANDERBERG: We have a motion and a
2 second.
3 FLETCHER: We have a motion by Mr. McCoy and a
4 second by Mr. Goetz. I'll call the roll. Ms.
5 Bronner on the line?
6 BRONNER: Yes.
7 FLETCHER: Mr. Fuentes?
8 FUENTES: Yes.
9 FLETCHER: Mr. Goetz?
10 GOETZ: Yes.
11 FLETCHER: Ms. Juracek?
12 JURACEK: Yes.
13 FLETCHER: Mr. McCoy?
14 MCCOY: Yes.
15 FLETCHER: Mr. O'Brien?
16 O'BRIEN: Yes.
17 FLETCHER: Mr. Obernagel?
18 OBERNAGEL: Yes.
19 FLETCHER: Mr. Poole?
20 POOLE: Yes.
21 FLETCHER: Ms. Smoots?
22 SMOOTS: Yes.
23 FLETCHER: Mr. Zeller?
24 ZELLER: Yes.

MARZULLO REPORTING AGENCY (312) 321-9365

1 FLETCHER: Mr. Chairman?
2 CHAIRMAN ANDERBERG: Yes.

3 FLETCHER: Mr. Chairman, the motion carries.

4 CHAIRMAN ANDERBERG: Thank you. Okay. I would
5 like to ask Mr. Goetz to leave the room.

6 FLETCHER: Let the record reflect Member Goetz
7 has recused himself --

8 LENANE: He did. Sorry.

9 FLETCHER: -- from deliberations by exiting the
10 room.

11 LENANE: Northwestern Memorial Healthcare is
12 here seeking a preliminary resolution in the amount
13 of \$750,000,000 to refund bonds -- to refund bonds,
14 all which of have not been determined as yet, and to
15 reimburse themselves for about \$185,000,000 that
16 they spent on the construction of the new Lake
17 Forest Hospital.

18 I could tell you all about Northwestern
19 Hospital, but when we do the final, I'll tell you
20 all about it. You probably already know. The
21 current long-term ratings for Northwestern Memorial
22 healthcare are AA2 by Moody's and AA plus by S&p.

23 The bonds will be sold in the public
24 market as enhanced fixed-rate bonds by Barclays and
MARZULLO REPORTING AGENCY (312) 321-9365

♀

66

1 Wells Fargo. Rates will be determined on the day of
2 pricing. There were 240 construction jobs created
3 by the construction of Lake Forest Hospital.

4 Northwestern Memorial Healthcare has
5 strong financials, very strong, 9.4 debt service
6 coverage and 420 days cash on hand. Any questions?

7 CHAIRMAN ANDERBERG: Thank you, Pam. All

8 right. I would like to request a motion to pass and
9 adopt Project Report No. 3. Is there such a motion?
10 JURACEK: So moved.
11 CHAIRMAN ANDERBERG: And a second?
12 FUENTES: Second.
13 CHAIRMAN ANDERBERG: Will the Assistant
14 Secretary please call the roll?
15 FLETCHER: On the motion BY Ms. Juracek and
16 seconded by Mr. Fuentes, I will call the roll.
17 Ms. Bronner on the line?
18 BRONNER: Yes.
19 FLETCHER: Mr. Fuentes?
20 FUENTES: Yes.
21 FLETCHER: Ms. Juracek?
22 JURACEK: Yes.
23 FLETCHER: Mr. McCoy?
24 McCOY: Yes.
MARZULLO REPORTING AGENCY (312) 321-9365

♀

67

1 FLETCHER: Mr. O'Brien?
2 O'BRIEN: Yes.
3 FLETCHER: Mr. Obernagel?
4 OBERNAGEL: Yes.
5 FLETCHER: Mr. Poole?
6 POOLE: Yes.
7 FLETCHER: Ms. Smoots?
8 SMOOTS: Yes.
9 FLETCHER: Mr. Zeller?
10 ZELLER: Yes.
11 FLETCHER: And Mr. Chairman?

12 CHAIRMAN ANDERBERG: Yes.
13 FLETCHER: Mr. Chairman, the motion carries.
14 CHAIRMAN ANDERBERG: Thank you.
15 FLETCHER: Let the reflect, please, that Member Goetz
16 has returned to the room.
17 CHAIRMAN ANDERBERG: Is there any other business to
18 come before the Members?
19 Hearing none, I would like to request a
20 motion to excuse the absences of Members unable to
21 participate today. Is there such a motion?
22 OBERNAGEL: Motion.
23 ZELLER: Second.
24 CHAIRMAN ANDERBERG: Motion and second. All
MARZULLO REPORTING AGENCY (312) 321-9365

‡

68

1 those in favor?
2 (A chorus of ayes.)
3 CHAIRMAN ANDERBERG: Opposed?
4 (No response.)
5 CHAIRMAN ANDERBERG: The ayes have it. Public
6 comment? I would like to make one comment here for
7 the record.
8 This month, regretfully we accepted the
9 resignation of Board Member John Yonover. John is
10 going to focus on his business; and on behalf of the
11 State, the IFA and the Governor's Office, I would
12 like to thank John for his service.
13 So, the next regularly-scheduled meeting
14 will be November 9th, and I would like to make a
15 motion to adjourn. Is there such motion?
16 GOETZ: Moved.

17 McCOY: Second.

18 CHAIRMAN ANDERBERG: We have a motion and
19 second. All those in favor?

20 (A chorus of ayes.)

21 CHAIRMAN ANDERBERG: Opposed?

22 (No response.)

23 CHAIRMAN ANDERBERG: The ayes have it. Thank
24 you.

MARZULLO REPORTING AGENCY (312) 321-9365

†

69

1 FLETCHER: The times 10:51 a.m.

2 (WHICH WERE ALL THE PROCEEDINGS HAD at 10:51 a.m.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

10-12-17-2. txt

♀