ILLINOIS FINANCE AUTHORITY
SPECIAL MEETING OF THE TAX-EXEMPT CONDUIT
TRANSACTIONS COMMITTEE MEMBERS
November 10th, 2016 at 8:30 a.m.

Report of Proceedings had at the Special Meeting of the of the Tax-Exempt Conduit Transactions Committee of the Illinois Finance Authority on November 10th, 2016, at the hour of 8:30 a.m., pursuant to notice, at 160 North LaSalle Street, Suite S1000, Chicago, Illinois.

APPEARANCE:
COMMITTEE MEMBERS

MR. ROBERT HORNE, Chair (Via audio conference at 8:31)
MR. JAMES J. FUENTES
MR. MICHAEL W. GOETZ
MR. LYLE McCOY
MS. ARLENE JURACEK
MR. GEORGE OBERNAGEL
MR. R. ROBERT FUNDERBURG, Ex-Officio
MS. ARLENE JURACEK

ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

MR. BRAD FLETCHER, Assistant Vice-President
MR. RICH FRAMPTON, Vice-President
MS. PAMELA LENANE, Vice-President
MS. ELIZABETH WEBER, General Counsel
MR. CHRISTOPHER B. MEISTER, Executive Director
MR. PATRICK EVANS, Agricultural Banker (Via audio conference)

CHAIRMAN McCOY: With it being 8:30, why don't we get going. If I could ask the Assistant Secretary to please take the roll?

FLETCHER: Certainly. Mr. Goetz?

GOETZ: Here.

FLETCHER: Mr. Fuentes?

FUENTES: Here.

FLETCHER: Mr. Obernagel?

OBERNAGEL: Here.

FLETCHER: Vice-Chairman McCoy?

McCOY: Here.

FLETCHER: And Mr. Funderburg as ex-officio.

FUNDERBURG: Here.

JURACEK: How about me?

FLETCHER: And Ms. Juracek? My apologies.

JURACEK: Here.

FLETCHER: I was waiting. Mr. Committee Vice-Chair, we have a quorum.

CHAIRMAN McCOY: Excellent. Just in reviewing the minutes from the last meeting, does anybody wish to make any additions, edits, corrections to the minutes from October 13th, 2016?

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

motion?

OBERNAGEL: I will make the motion, Mr. Chairman.

GOETZ: Second.

CHAIRMAN McCOY: Thank you. All those in favor?

(A chorus of ayes.)

CHAIRMAN McCOY: Opposed?

(No response.)

CHAIRMAN McCOY: The ayes have it. Moving on then to the Presentation and Consideration of the

Project Reports and Resolutions.
FLETCHER: Did someone just join the line?
HORNE: Yes, Bob Horne just joined.
FLETCHER: We'll note for the record Mr. Horne has joined via audio conference at 8:31.
CHAIRMAN McCOY: Bob, we're just looking at the Presentation and Consideration of the Reports and Resolutions.
I would like to ask for the general consent for the Members to consider the Project Reports and Resolutions collectively, and to have the subsequent recorded vote apply to each respective individual Project and Resolution, unless

there are any specific Project Reports and Resolutions that a Member would like to consider separately.
If not, I would like to ask the staff now to present the Project Reports and Resolutions, which will be considered collectively. I think, Mr. Evans, you're up.
EVANS: Yes. Today we have two beginning farmer bonds. Both loans are related to the Illinois Finance Authority program and will have a first mortgage position on them. FSA will have a second position behind Illinois Finance. This one is Anthony and Allyson Weber, who are purchasing 40 acres of farmland through People's State Bank in Newton.
People's state Bank in Newton retained a

loan of 50 percent of the $211,000 land purchase or $105,500 of debt. IFA will provide beginner farmer bonds maintaining first position with the bank, utilizing FSA 5/45/50 loan program. The terms of funds are identified in the writeup. The property is located in Richland County.

The second bond is with Michael Joseph Matway, who is purchasing 97.173 acres through First

National Bank of Litchfield, who will retain 54.9 percent of a $947,436.75 land purchase for $520,000 of debt.

IFA will provide a beginning farmer bond, maintaining first position with the bank, utilizing FSA beginning farmer program. To maximize the FSA and IFA program, the borrower will put in 13.4 percent of equity, with FSA retaining 31.7 percent of purchase, and the bank will retain 54.9 percent of the purchase price.

The terms of the bond are identified in the writeup, and the property is located in Montgomery County, Illinois. Any questions?

WEBER: For the record, I would like to note that I neither know, or to my knowledge am I related, to Anthony or Allyson Weber.

CHAIRMAN McCOY: All right. I think we're good. Thank you.

EVANS: Thank you.

FLETCHER: Next is tab 2 on the agenda, which is also tab 2 in your Board books. It's a Final Bond Resolution on behalf of Oak Park Residence Corporation in a not-to-exceed amount of $22,000,000. Established in 1966, Oak Park

Residence Corporation provides affordable rental housing in Oak Park, Illinois, through both its 22 property multifamily housing portfolio and its various housing units owned through affiliated entities.

As a nonprofit entity, Oak Park Residence Corporation issued bonds through IFA's predecessor agency IDFA in 2001, and later through IFA in 2006. Both series of bonds were issued as variable rate bonds secured by letters of credit with PNC Bank National Association. Those letters of credit are scheduled to expire in August 2017.

Accordingly, Oak Park Residence Corporation, and a wholly-owned affiliate of PNC Bank, PNC Community Development Company, LLC, have agreed to refund these outstanding bonds and enter into a direct purchase structure.

We see this time and time again where a borrower is exiting a letter of credit structure, entering into a bank direct purchase structure. The bank and borrower have agreed to a fixed-interest rate during an initial term of 10 years.

The refunded principal amount will be approximately $17,000,000. Additionally, the bank is providing tax-exempt financing for new capital projects in the amount of $3,000,000. That will be for various HVAC improvements at the housing units, as well as energy efficiency upgrades.

So the expected par amount at closing will be $20,000,000, while you are approving a not-to-exceed amount of $22,000,000.

Turning to page 7 in the confidential section of the report, I did want to note for the record we are applying our typical discounted fee when a borrower is exiting from the LOC structure, but we are applying our standard fee schedule for the new money component.

Because they are a non-rated entity, we provided a four-year forecast that shows they will generate sufficient operating cash flows to cover the proposed debt service. Notably, the current outstanding Series 2001 and Series 2006 bonds are bullet maturities, meaning they are non-amortizing on their principal.

After converting to this bank direct purchase structure through this refunding, they'll begin making quarterly interest and principal payments in 2017, which can be viewed as certainly a

credit positive, as they pay down long-term debt on their balance sheet.

I did want to note that these bonds are being issued as 501(c)(3) revenue bonds, due to the 100-percent ownership status of the nonprofit entity. However, pursuant to the corporate mission, they do offer units -- approximately 20 percent of the units to individuals with incomes below 50 percent of the area median income.

Said another way, they rent their units at approximately 80 percent in market rate, which is why they do, in fact, pay property taxes, which was the final note in the report there. I can take any questions.

GOETZ: Are they going to qualify for tax credits? They're not going to use low income housing tax credits?

FLETCHER: Not through this financing, no.

GOETZ: Okay. Bonds deals usually qualify for the four percent credits.

FLETCHER: Right.

FUNDERBURG: Brad?

FLETCHER: Yes, sir.

FUNDERBURG: What are the ramifications of it

being unrated and us waiving our policy? That's a different credit, I know. We'll wait for that one. Okay. We'll wait.

FLETCHER: The only policy that we're applying here is our discounted fee because the bonds are currently variable rate bonds. The interest resets every seven days. Being a --

LENANE: But it's a single bond. It's one bond.

FLETCHER: Correct, it's just one bond being purchased.

LENANE: It will be in the amount of $15,000,000.

FLETCHER: $20,000,000.

LENANE: $20,000,000. So you don't have to have denominations, not the $100,000 denominations.

FLETCHER: Right. So this won't be sold into the capital markets. Right now the bonds are in the capital markets, but it will be a direct purchase on the portfolio of PNC Community Development. So it will be held as an investment.

FUNDERBURG: Okay.

FLETCHER: And they will execute our typical investor letter.

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FUNDERBURG: Got it. Thank you.

GOETZ: Do you know if they have any Section 8 contracts?

FLETCHER: I would imagine.

FRAMPTON: On certain of the properties they do.

FLETCHER: They have a couple units that are owned by affiliated entities, not Oak Park Residence Corporation proper. Those are HUD subsidized, so I would imagine there is certainly some Section 8 there.

GOETZ: Yeah, I do a lot of affordable housing mortgages, and their law firm is a law firm I use. Does that create a problem?
WEBER: No, I don't think so.
MEISTER: The Applegate firm?
GOETZ: That's my firm that I use. I don't use Nick.
LENANE: Tom Thorne.
GOETZ: Yes. Well, in Applegate.
FUNDERBURG: Brad, anything regarding structure? Anything that is unusual about this credit that we should know about?
FLETCHER: No, sir. Pretty standard.

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FUNDERBURG: Okay. Thank you.
CHAIRMAN McCOY: Any other questions? Rich, I think you're up.
FRAMPTON: Okay. We'll move on to item 3, which is a one-time consideration Final Bond Resolutions for the MJH Education Assistance Illinois for LLC.
A little bit first about MJH and who they are. MJH is a stand-alone limited liability company that was created by a foundation the MJH Education and Healthcare Assistance Foundation, which is a California nonprofit.
The MJH Foundation is the sole member of the borrower, and its exclusive purpose is to support DePaul University. So prior to this project, MJH had established three previous LLCs

that had entered into master leases with DePaul to develop or redevelop and finance academic and student residences -- residence buildings on the campus of DePaul.

All three of those prior projects had a DePaul contract. This project and financing is different. It was undertaken initially and structured to be both off balance sheet and off

credit to DePaul. So this financing was set up like a real estate deal.

MJH is a stand-alone limited liability company. The credit was structured and the bonds were originally sold and rated by Moody's. The bonds were sold in three series. All but the junior subordinate series were investment grade rated by Moody's at the time back in 2004.

And as a result of that, the bonds, the original bonds, were sold in $5,000 denominations to retail investors. So many of the original holders were, in fact, retail investors.

Do you have any questions about MJH and the special purpose entity structure before I continue?

FUNDERBURG: I have a question regarding because it was placed retail. What happens if some of the Series '04 bond holders don't choose to participate?

FRAMPTON: Okay. I would like to address that question a little bit later, if you don't mind.

FUNDERBURG: Perfect.

FRAMPTON: In terms of the -- if you turn to page 2 of the memorandum, which is page 37 in the

packet or the very first page, or the second page of what's in your Board book, there is background on the original deal.

And about midway down the page, the original structure and dollar amount of the 2004 financing is presented. So there were three series of bonds. Number one, there was a $58.34 million senior series that was rated Baa2 by Moody's.

Secondly, there was a B Series that was subordinate $15.05 million; and finally, there was a C Series for $13,800,000. This was really in lieu of a cash payment by MJH.

The developer of the project, Smithfield Properties, took back basically a deeply subordinated seller note that took the form of this bond. The C bonds cannot be traded; and in the new deal, they cannot be traded either.

They will all be subject to investor letter and minimum denominations of $100,000, and the developer -- the affiliate of the developer, Smithfield, will continue to hold those bonds.

Just recapping the history of the deal and how did it end up in a default position, on page 3 of the report, there is a history -- I presented a history of the operating performance. Year one of this project, we issued bonds in December 2004. The facility was completed in June of 2006.

It opened in August of 2006 for the '06-'07 academic year. The facility had 91 percent -- posted 91 percent occupancy. In September 2007, the occupancy rate had fallen to 52 percent. As a result of that, the project was no longer able to service debt.

Their scheduled debt payments, all the debt service reserve funds, were drawn to make bond payments beginning in December 2007. As soon as that happened, the project went into default. Normally, when debt service reserves are drawn, that can frequently be an event of default. It was here.

These bonds have been in default ever since. So the debt service reserve fund was drawn December 2007, and the project has been trying to catch up ever since.

Immediately after year one -- immediately after it became apparent that the lease up was only 52 percent, when the facility opened up year two, a decision was made to terminate the original property manager. The new property manager was an affiliate

of the C holder.

So the rationale for that was the C holder had $13.8 million of bonds out of the $87,000,000 originally issued. They had more at stake and at risk than anyone else in the project. So, DePaul agreed to the change in property manager, and the property manager began implementing operational and also design changes to the project that improved the performance.

If you turn to page 4 of the report, over the last five years, the occupancies have attained stabilization, although there has been ongoing volatility. One of the issues on this project was and has been that initially the project was designated for upper classman at DePaul; and going forward, one of the things that the new bond issue will fix, DePaul and MJH are amending what's called an inducement agreement.

It's basically a marketing agreement between DePaul and MJH. They are expanding marketing to freshman through seniors. So that will become part of the new agreement.

Additionally, the term of the inducement agreement will be extended as well through the final

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maturity date of the bonds, but I'll get into the structure and fixes a little bit later.

The improvements and occupancy were ultimately evidenced by an upgrade by Moody's in the credit rating of the project in September of 2004. The senior 2004 bonds were upgraded to CAA2. Because of the improved occupancy, particularly in

2012 and 2014, the project was able to catch up on three out of five past due principal payments on the senior bonds and all past due interest.

So they started to catch up. That merited an upgrade from a lower C range to CAA2. And, yet, if you look at the table on page 5 of the report, the subordinate B bonds still have yet to be upgraded. Why is that? It's because no payments have been received by the B holder since 2008.

So it's been over eight years since the B holders have received any kind of payment. The top of page 6, there is a bullet point that identifies the past due P&I payments of an investor call on October the 11th.

There is still a backlog of payments on the '04s totaling almost $2.8 million. And on the 2004B bonds, unpaid principal since June 2009 to

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present, two-and-a-half million unpaid interest since December of 2008, $6,000,000.

So the Series 2004B bondholders are roughly $8.6 million behind. So there are other problems with the current default as well. Key among them is a going concern qualification on MJH's audit report.

The reason for that is as long as the bonds are in default, there is a right to accelerate by the bondholders that can be -- that, in fact, could be pursued, in fact, at any time by the senior

2004 holders.

GOETZ: Does this financing cure that issue?

FRAMPTON: The new financing fixes all -- it will completely cure the defaults because the 2004 bonds will be completely paid off. When that happens, a number of positive results will occur, and I have those listed on page 7. There was a whole laundry list of good reasons to pursue undertaking this deal.

JURACEK: Rich, will the new bonds be rated?

FRAMPTON: The borrower is applying for a rating on the senior bonds, and the rating will be reported to a third-party consultant. If the rating

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reaches a specified threshold, that threshold is probably BB. They will report that to the borrower and then the rating would be made public.

If that rating is made public, right off the bat, that will be evidence that the new deal structure is significantly improved. The refinancing will enable the -- if the refinancing were in place, actually, 2014 and 2015 cash flows would have been sufficient to pay the new debt by a thin margin just over one time.

GOETZ: Is that with the new management fee or the old management fee?

FRAMPTON: That would be with the new management fee in place. So the numbers are tied in.

GOETZ: With the new manager in place, they can

meet their debt service?
FRAMPTON: Yes.
HORNE: And what are they projecting there for ongoing occupancy? I see the occupancy now at 85 percent, and that was the 2015 number.
Are they putting a stabilized occupancy on a going-forward basis?
FRAMPTON: Yes. In the forecast, they are --

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they are -- the occupancy or the vacancy rate going forward is roughly one-and-a-half million, which is roughly -- and that's based on student revenues of $8,200,000. So it's $1,500,000 on $8,200,000, and --
HORNE: I'll look at it, Rich. You can keep going. I got it in front of me.
FRAMPTON: Yeah. So it's between 15 and -- it's 15 percent or so. Now, going forward, what the refinancing will do is it will reduce the break-even occupancy rate to 75 percent. So given that they are at 85 now, that will do a lot to help support the project.
MEISTER: Rich, there is a question.
OBERNAGEL: On the 2004 bonds, how come the existing retail holders are still on there?
FRAMPTON: Are still?
OBERNAGEL: Still holders of the bonds, excuse me.
FRAMPTON: Well, on the 2004 bonds, the bonds

trade openly in the market, and the existing holders would be free to buy or sell these bonds in the open market. We are aware that some of the original retail holders have gotten out of the deal.

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It's contemplated that the B holders, which include many retail holders, will be given an option to either take an upfront payment; or, alternatively, take new bonds that would pay them over time.

And from now until -- they would receive bonds that would be scheduled to repay over 22 years at a reduced rate of interest; but under the financial model prepared by the borrower and the project manager, there would be sufficient cash flows going forward to service all the principal payments on the new bonds.

OBERNAGEL: Okay.

FRAMPTON: So the way the financial model has been laid out, this would provide for repayment of the bonds and provide -- one of the problems of the existing deal is that DePaul has the unilateral right to cancel their inducement agreement with the project at any time, as long as the bonds are in default.

By issuing the new bonds, DePaul and MJH are actually amending their inducement agreement to, number one, extend its term from 2035 to 2049.

Secondly, what they are doing is expanding

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the marketing of the -- agreed to expand the marketing of the project to all undergraduates.

Additionally, they are tweaking some of the terms that would enable DePaul to exercise a purchase option on the property, and that's another key element of why it's so important to reissue the bonds. With DePaul having the ability to cancel the agreement, it would be possible for -- that could end the way out for the current borrower to gift the project. One other very significant problem with the current deal is that there's been all this interest accruing since 2007 on the B bonds, and actually since 2004 on the C bonds. The C bond holder is yet to make a payment.

One of the concessions that the C holder will be making is that they will be forgiving all past due accrued interest which will help de-leverage the project.

MEISTER: And the rough number of that I think is around $14,000,000.

FRAMPTON: Yes. Currently, the aggregate debt on this project is $100,000,000. The debt at the time of issue was 87. The current appraised value as the last December was $90,000,000. So at least

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this refinancing would bring in the total debt to be less than the appraised value.

The whole issue of potentially having acceleration pushed by the A holders is that there's roughly $50,000,000 in A debt. If they pushed an acceleration, and the project was ultimately sold, after the cost of litigation and everything, the A holders -- the existing A holders will probably come out whole, but the B and C holders, the subordinate holders, would not.

One of the key attributes of this plan of refinancing is that it's actually being driven by the current B and C holders. And one of the major B holders will actually be investing in the A bonds. And until the tender offer is out in the street, we can't identify who that major holder is, but they are an institutional investor.

So there will be 50 plus million of new institutional money going into this deal to purchase the A bonds, and that demonstrates the conviction of the B and C holders in this refinancing and restructuring plan.

CHAIRMAN McCOY: I think you answered my question. I was going to ask about why they're

doing it now? It's been there for eight years, nine years.

You know, why all of a sudden -- it's getting stabilized. Why all of a sudden now you're saying they are stepping in?

FRAMPTON: Yeah. And, quite frankly, given the complexity of this financing and all the parties involved, it just took time to put together a structure that is viable and all the parties can agree to.

MEISTER: Rob, did your question get answered?

FUNDERBURG: It may be, in part, but I'll ask it again specifically. So what happens if 2004B holder does not participate in the exchange?

FRAMPTON: In order to cure the defaults, all the 2004 bonds have to be retired and paid off. So there are mechanisms within the existing bond indenture for the B bondholders to be taken out.

The plan assumes that there will be 100-percent participation in the offer to tender an exchange, but some of the parties who are involved here do have a contingency plan; but, overall, they really expect there to be nearly full participation, and the --

FUNDERBURG: Is there expectations and hopes we know that this large institutional investor takes up a large percentage of that B offering, but the question is what happens if?

FRAMPTON: Well, there is no alternative but to take out all the existing B holders. So that will have to happen.

FUNDERBURG: Okay. Thank you.

HORNE: So, Rich, for some reason that didn't happen, and DePaul would have an ongoing cancellation, right, on this?

FRAMPTON: The cancellation right would continue. Accrued interest would continue to compound. You know, that would not be -- again, the B and C holder -- the existing B and C holders have a lot at risk if this refinancing and restructuring does not occur.
MEISTER: And, Rich, I think you covered this, but DePaul is in a non-compete agreement on development of new student housing on this?
FRAMPTON: Yes. And as a condition of moving forward with the new deal that non-compete agreement, the options to purchase or to have the facility gifted when the bonds are paid off, that

would continue, and the enhanced marketing agreement would also continue going forward.
MEISTER: And the non-compete continues?
FRAMPTON: Yes.
HORNE: One thing to point out, I'm just making an observation on the market. Immediately to the east of DePaul is the former Children's Memorial Hospital, and that property is currently being demolished and in its place, there's going to be, I think order of magnitude, 600 to 800 housing units built, not specifically student housing.
It's rental and condo, but the point is there is going to be a fairly large supply of new housing added to the market in the next three years immediately abutting DePaul's campus to the east. So it's just something to keep in mind.

FRAMPTON: And, in fact, that development I believe was mentioned on the investor call for the currents 2004 bondholders back on the 11th of October.
That the Children's Memorial redevelopment was actually mentioned during that call, I believe, as I recall.
HORNE: Yeah. All I'm suggesting is that, you

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know, as we look at occupancy rates at 85 percent in its current state, which in my mind is a very marginal rate of occupancy right now.
FRAMPTON: Absolutely.
HORNE: You have risk that a new supply to the east is going to keep pressure on that occupancy rate.
FRAMPTON: I should point out, too, that also during the investor call, MJH has been -- the property manager for MJH has also been seeking to enter -- they actually have entered into a master lease on some of the -- on a portion of the beds.
They are hoping to get that up to roughly 20 percent of the beds. The master leases would cover three-year terms. So that would help stabilize the property.
And in addition to that, those master leases would be for a three-year term. So, effectively, the whole issue with the project now is you have year-to-year leases. You have students

coming in and out.

The master lease would help address that, and they have been discussing that with -- they actually have one contract in place with another

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higher institution. So they are looking to expand that to another 25 to 50 beds going forward.

HORNE: Rich, do they have experience in other student housing management assignments, or is this their only one? I know a little bit about Smithfield, not a lot as a firm, but I just didn't know what their portfolio was in terms of the management experience.

FRAMPTON: Yeah. Well, they took this project over in 2007. I don't -- I believe that was their first entree into student housing as a property manager.

They have been involved in development of some other student housing properties. I believe there's another building on South Clark Street that leases beds to Columbia that I believe they were involved with.

But in terms of what would be disclosed to prospective bondholders, there is no reference to any other student housing facility. It's just this.

HORNE: Okay.

FRAMPTON: You know, just in wrapping things up, the new structure does provide for the ability of the project to redeem certain of the bonds in advance of their scheduled maturity.

And based on their financial model, the Series A bonds, for example, would be paid in full in 2037, nine years ahead of their scheduled final maturity date.

So that obviously would require occupancy that is not at the 75-percent break even, but at the million five flat vacancy rate that they have forecast. But in any event, when we look at this transaction, it cures lots of problems, including a default -- including default, the continuing accrual of penalty interest.

And, most importantly, it provides a viable path for DePaul to ultimately take ownership of the projects, either through the retirement of the bonds, or by exercising a purchase option that would be enhanced and provided for in the new inducement agreement that will be forthcoming in advance of the 2016 refinancing.

GOETZ: So we're fairly confident this would address the going concern issue raised by the auditors?

FRAMPTON: Yes. Certainly upon --

GOETZ: It has to be 100 percent.

FRAMPTON: Right. Without being able to speak for the auditors, their specific concern is the fact that the bonds are in default and can be accelerated. This refinancing would end default.

So, presumably, that would ultimately address that concern, but the auditor would have to look at that in the context of their financial performance, of course.

FLETCHER: You want to mention the Board Members here?

HORNE: Rich, does this property pay taxes?

FRAMPTON: You know -- you know I asked this question. I know it pays taxes on the real estate portion of the project.

FLETCHER: Retail.

FRAMPTON: On the retail portion.

GOETZ: The ground floor, commercial ground floor.

FRAMPTON: And parking. I actually have a question into -- I had a question into the property manager on that. I would expect to see property taxes in the audits. That has not -- that does not pop up as --

HORNE: I've been reading the financials, and

it's not clear there is a line item that says taxes, insurance, in the operating history going back to 2013.

There's no mention in the 2017 projection going forward. I guess I only ask that question because it is happening all over the City of Chicago, all over Cook County, and probably all over the state that multifamily real estate taxes have been going up at a very steady clip, and I just didn't know how that was being picked up or not being picked up in this analysis, but there's been a very substantial bump up in taxes in multifamily in Chicago.

FRAMPTON: Yes.

HORNE: And if you don't catch it, it can hurt you, but it doesn't appear to me that there is a tax line item in the operating budget. It leads me to believe it's non-taxable.

FRAMPTON: They had applied for an exemption in the draft of the private placement memorandum. That is not identified as an issue, and it's not disclosed anywhere in the draft documents. So I tend to believe it's not --

HORNE: Okay.

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FRAMPTON: -- that they have an exemption.

HORNE: Okay. Thank you.

CHAIRMAN McCOY: Anything else, Rich?

FRAMPTON: That's it.

CHAIRMAN McCOY: Any questions? The only one I have, a quick one, is we talked about risk and what ifs happen here.

Does the Authority have any liability, either from a default of these bonds or the proposed transaction we're looking at?

FRAMPTON: Both the 2004 and 2016 bonds are purely conduit, of course, but one of the other, as a condition to purchasing or exchanging 2004 bonds for 2016 bonds, each investor will be signing a waiver and release that will -- under which they will hold the Authority, among other parties, harmless regarding everything that happened in the past.

So from our perspective, this also provides us with extra protection in that regard that we don't always receive.

CHAIRMAN McCOY: Good. Thank you very much.

FRAMPTON: Thank you.

CHAIRMAN McCOY: No other questions? Pam?

LENANE: Yes. Tab 4. These wouldn't be as complicated. Tab 4 is the Rehabilitation Institute of Chicago, RIC, is requesting a one-time Final Bond Resolution to approve the issues of a Series of tax-exempt bonds in the amount of approximately $275,000,000 to refund all of their Series 2013B, C, D and E bonds, proceeds of which were used to pay for the building that they are building right now, the construction, equipping of a new 242 bed replacement rehabilitation hospital occupying 17 floors, a seven-floor parking garage, and three floors of medical office space, which is scheduled to open in March of 2017, right around the corner.

The plan of finance contemplates three bank private placements with the Northern Trust, PNC Bank and Bank of America. RIC's current rating on it's long-term, fixed-rate indebtedness is A- with Fitch stable outlook.

The bonds will be variable rate calculated at .4 percent to .65 percent over a percentage of LIBOR, which is currently approximately .50 percent. I looked today. I think it's .53 percent, but in that ballpark.

RIC's mission is to provide for quality

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programs and patient care, education and research, and to strive for the fullest assimilation and acceptance of the physically disabled in the community. It operates a healthcare system specializing in providing comprehensive rehabilitation services to the physically disabled through an array of diagnostics and therapeutic services, including physical, occupational and speech therapies.

RIC currently has 1,535 jobs. RIC currently operates 182 bed hospital and outpatient facility located in downtown Chicago next to Northwestern University Medical Center.

RIC is -- if you look at the financials, RIC's monthly audited financials shows good debt service coverage of 1.5 times and 430 days cash on hand. That may seem a little low, the debt service coverage, but they are carrying A- Fitch stable rating.

They are just carrying a lot of debt from the construction, and they are also in the process of continuing to receive large donations, which will help bring down their debt.

We've given them a 25-percent discount

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because they are going from four banks to three banks, and there's probably less work involved in that. So the fee went from $211,000 to $158,250, and I think that takes care of it. Any questions?

CHAIRMAN McCOY: We're good. Thank you.

LENANE: I think as an aside, one of the exciting things about the new hospital is on each floor, they will have beds, you know, for people, inpatient beds, outpatient, and also have research going on the same floor of which, you know, the condition that the people are in to be able to try out new therapies right from their research department on the same floor into their inpatient/outpatient.

It is a very new model. It is the first time in the United States this has been executed this way.

CHAIRMAN McCOY: That's a great facility. No question about that.

MEISTER: Truly it's one of the great assets of our state.

CHAIRMAN McCOY: No question.

LENANE: Okay.

CHAIRMAN McCOY: Southern Illinois?

LENANE: Yes, Southern Illinois University.
This is a preliminary resolution.
MEISTER: Southern Illinois Healthcare.
LENANE: Healthcare Enterprises is the
obligated group.
MEISTER: Yes.
LENANE: They are requesting a preliminary bond
resolution to approve the issuance of a series of
taxable and tax-exempt bonds in the amount of
approximately $150,000,000 to advance refund all of
their Series 2005 bonds to reimburse Southern
Illinois Health Services, SIH, which is the
hospitals, for their conversion to EPIC System,
which is an electronic medical records system, to
pay eligible costs relating to a new Southern
Illinois University building that's being built on
Southern Illinois University's campus.
And it will include housing for medical
students and clinical operations, and they will be
able to get -- those will be tax exempt, so portions
of that building are being paid for with bond
proceeds, and they are going to raise additional
capital -- they are also going to purchase the
corporation's headquarters, which is located in

Carbondale in a mall, is what they tell me.
And the mall was just sold, and the owner

asked them if they would like to buy the space and so they bought -- they're buying the space in the mall.

They are also going to fund additional capital from miscellaneous projects, which will be detailed when we do the final resolution. SIHE employs 3,495 people, and I'll have a figure on construction jobs for the final resolution, once that's flushed out.

GOETZ: That is why you don't have anything down there.

LENANE: I know. They don't have it yet.

GOETZ: That's fine.

LENANE: The plan of finance contemplates a separate Series of taxable and tax-exempt bonds to be sold in a public underwriting by Bank of America Merrill Lynch.

The tax-exempt bonds are $90,000,000 and the taxable bonds are $60,000,000. I'm only charging them a fee on the tax-exempt bonds because, as we know, they could issue the taxable bonds on their own and not pay a fee.

So in order to get them to issue through us, you know, to keep the transaction together and not have them get the idea they might want to do it all taxable, I do the taxable bonds for free.

That takes the fee from $138,000 to -- it's 138,000. Otherwise, it would be 100 -- I can't do this quick enough in my head, but anyway, I'm

only taxing them on the $90,000,000.
MEISTER: Just to highlight this taxable portion, I think Pam has been very adept at working with her borrowers to encourage them to issue taxable bonds through the Authority, as she notes.
There is no legal or financial reason, necessarily, to issue taxable bonds through the Authority. One of the market facts, that appear to be developing, is that when a borrower has a CUSIP number through the Authority on taxable debt, that it appears to perform better and lead to a lower interest rate.
So this is one potential new line of business to be developed which may well become more important if there are tax code changes.
LENANE: Carle Hospital in Champaign, Urbana, which we financed, I think we approved it two months

ago, and it's closing as we speak today, also issued a Series of taxable bonds through us. So, as I said, it keeps them in mind of us as the issuer. So I like to do that.
MEISTER: And, Pam, just to clarify one point, Southern Illinois Healthcare Enterprises is a separate entity from Southern Illinois University.
LENANE: Absolutely, yes, totally separate. They've always been separate, yeah. Southern Illinois Healthcare Enterprises maintains an A+ stable rating from both S&P and Fitch.

Those ratings will be reaffirmed in the context of this financing. The bonds will be fixed rate, and the rate will be determined at pricing. Southern Illinois Healthcare Enterprises is a 293 bed healthcare system located in the Carbondale area in Jackson County and Williamson County, and is comprised of Memorial Hospital of Carbondale with 154 beds, Herrin Hospital with 114 beds, and St. Joseph Memorial Hospital a 25 bed critical access hospital located in Murphysboro.

If we look at southern Illinois Healthcare's financial information on page 6, their audited financials ending March 31st show very

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strong debt service coverage of 4.6 and with 279 days cash on hand. Hence, the A+ stable rating. Any questions?

CHAIRMAN McCOY: I think we're good. Bob, you didn't have any questions?

HORNE: None, no. Thanks.

CHAIRMAN McCOY: As always, thank you, staff, for the hard work and good presentations. I would like to request a motion to pass and adopt the following Project Reports and Resolutions: Items 1A, 1B, 2, 3, 4 and 5. Is there such a motion?

GOETZ: So moved.

OBERNAGEL: I'll second.

CHAIRMAN McCOY: Thank you. Will the Assistant Secretary please call the roll?

FLETCHER: Certainly. On the motion and

second, I'll call the roll. Mr. Fuentes?
FUENTES: Yes.
FLETCHER: Mr. Goetz?
GOETZ: Yes.
FLETCHER: Mr. Horne on the line?
HORNE: Yes.
FLETCHER: Ms. Juracek?
JURACEK: Yes.

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FLETCHER: Mr. Obernagel?
OBERNAGEL: Yes.
FLETCHER: And Vice-Chair McCoy?
CHAIRMAN McCOY: Yes.
FLETCHER: Mr. Committee Vice-Chair, the motion carries.
CHAIRMAN McCOY: Thank you. Any other business to come before this Committee? Hearing none, is there any public comment for the Committee?
Again, hearing none, I would like to request a motion to adjourn. Is there such a motion?
FUENTES: So moved.
JURACEK: I'll second.
CHAIRMAN McCOY: All those in favor?
(A chorus of ayes.)
CHAIRMAN McCOY: Opposed?
(No response.)
CHAIRMAN McCOY: The ayes have it. Thank you very much, everyone.

(WHICH WERE ALL THE PROCEEDINGS HAD.)

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STATE OF ILLINOIS)
) SS:
COUNTY OF C O O K)

PAMELA A. MARZULLO, C.S.R., being first duly sworn, says that she is a court reporter doing business in the city of Chicago; that she reported in shorthand the proceedings had at the Proceedings of said cause; that the foregoing is a true and correct transcript of her shorthand notes, so taken as aforesaid, and contains all the proceedings of said meeting.

____
PAMELA A. MARZULLO
License No. 084-001624

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