ILLINOIS FINANCE AUTHORITY
SPECIAL MEETING OF THE TAX-EXEMPT CONDUIT
TRANSACTIONS COMMITTEE MEMBERS
May 11, 2017 at 8:30 a.m.

Report of Proceedings had at the Special Meeting of the Tax-Exempt Conduit Transactions Committee of the Illinois Finance Authority on May 11, 2017, 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
MR. JAMES J. FUENTES
MR. MICHAEL W. GOETZ (Via audio conference)
MR. LYLE McCOY
MR. ERIC ANDERBERG (Added)
MR. GEORGE OBERNAGEL
MR. BRAD ZELLER

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

CHAIRMAN HORNE: I'll call the meeting to order. Will the Assistant Secretary please call the roll?

FLETCHER: Certainly. The time is 8:30. Mr. Fuentes?

FUENTES: Here.

FLETCHER: Mr. McCoy?

McCOY: Here.

FLETCHER: Mr. Obernagel?

OBERNAGEL: Here.

FLETCHER: Mr. Zeller?

ZELLER: Here.

FLETCHER: And Chair Horne?

CHAIRMAN HORNE: Here.

FLETCHER: Mr. Committee Chair, a quorum of Committee Members has been constituted.

CHAIRMAN HORNE: Great. Thank you. Does anyone wish to make any additions, edits or corrections.

GOETZ: This is Michael Goetz. I'm on the phone.

FLETCHER: Hi, Mike. Sorry, I didn't hear you call in. Duly noted for the record.

CHAIRMAN HORNE: Thank you, Mike. Does anyone

want to make any additions or edits to the minutes? Hearing none, is there motion to approve the minutes?

OBERNAGEL: I'll make a motion to approve.

McCOY: Second.

CHAIRMAN HORNE: All those in favor?

(A chorus of ayes.)

CHAIRMAN HORNE: Opposed?

(No response.)

CHAIRMAN HORNE: Alright. So we're going to ask for the general consent of the Members to consider the Project Reports and Resolutions collectively and have all subsequent recorded vote applied to each respective individual project and resolution, unless there are any specific Project Reports and Resolutions that a Member would like to consider separately.

FUENTES: Yes. I would like to recuse myself from any deliberations and voting with respect to item No. 4 in Project Reports and Resolutions because I'm a board member for the Museum of Science and Industry.

CHAIRMAN HORNE: Okay. Is there anyone else? Okay. So I guess we would then ask to go into the

project reports, and we'll just consider item No. 4 separately at the end.

Should we do the ag projects first?

FLETCHER: Pat, you're up.

EVANS: Yes. Thank you, Mr. Horne. Today we have two beginning farmer bonds. Both bonds will have a first mortgage position related to them. The first borrowers are Zachary D. and Erika J. Schlechte.

They are purchasing 57 acres of farm real estate. Total cost of this purchase is $620,000 or $10,877 per acre. First National Bank of Raymond will finance 50 percent of the purchase price or $310,000.

They will utilize the FSA 5/45/50 beginning program. As stated, IFA bond will be in first position on 57 acres and FSA will have a second position related to their 45-percent guarantee.

The property is located in the northwest corner of Montgomery County, and the terms on the bond are identified in the write-up. The second borrower is Jacob A. Von Bokel. He is purchasing 62 acres of bare farm real estate.

The total cost of the purchase is $384,400 or $6200 per acre. German Town Trust and Savings Bank will finance 50 percent of the purchase for $192,000.

They will utilize the FSA 5/45/50 beginning farmer program; and as stated, IFA will be -- will have first mortgage position on 62 acres with FSA having a second position relating to the 45-percent guarantee.

The property is located in southeast corner of Shelby County, and the terms of the bond are identified in the write-up. Thank you.

CHAIRMAN HORNE: On these kinds of loans, do we normally have a first mortgage position like this? Is that normal?

EVANS: Yes. Now FSA is subordinating, they let us have a first bond. They let us have a first position.

FRAMPTON: It's really the bank. We're a pass-through.

CHAIRMAN HORNE: Okay. That's what I was wondering.
FRAMPTON: Yeah, we're a pass-through conduit.
CHAIRMAN HORNE: Okay. Any questions?

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FLETCHER: I would like to note, for the record, the arrival of Mr. Anderberg.
CHAIRMAN HORNE: Great. Thank you.
MEISTER: 8:34.
FLETCHER: I agree.
CHAIRMAN HORNE: Do we want to move on to the next items? There's educational, cultural, healthcare projects.
FRAMPTON: Yes. Thank you, Mr. Chairman. Next we will move on to Benedictine University, which is tab 2 in the Board book. Benedictine is requesting approval of a one-time Final Bond Resolution in an amount not to exceed $45,000,000. This matter is being presented for one-time approval. Bond proceeds will be used for current refund the outstanding balance of bank purchase of IFA series 2013 bonds, which will convert the series 2013 bonds from a bank direct purchase structure with RBS Citizens and First Midwest Bank to a structure under which the bonds will be sold and priced to maturity in 2043, based on the direct BBB ratings of the University from S&P.
S&P assigned BBB ratings to this new issue on April the 25th. In terms of the use of original

Series 2013B bonds, they were used to finance a portion of the cost of construction of the new 130,000 square foot academic building on Benedictine's Lisle campus, which was to be completed in 2015.

The 2013B bond proceeds also refinanced approximately $10.1 million of Series 2010 bonds issued by DuPage County. So IFA has not always had Benedictine as a conduit borrower.

The original principal amount of the Series 2013B bonds remains at $30,000,000, as originally issued. The existing 2013B bonds bare interest at a variable interest rate that is set to mature in 2020. They also have an interest rate swap.

So what they have in place now is a variable structure with a synthetic fix, but that synthetic fix is only provided through 2020. By refinancing this deal, they will be able to go fixed rate to maturity in 2043.

What S&P noted is as a result of this refinancing, the University's debt service payments, their debt structure, will become much more conservative, eliminating the variable interest rate

risk and also eliminating the future need to enter into swap agreements to provide a synthetic fix.

So for the long term, there are a lot of positives connected with this. Just in terms of Benedictine's other debt, in 2013, the Authority issued $28.6 million of Series 2013A bonds.

S&P affirmed that BBB rating, but revised the outlook of the University from negative to stable. So they've viewed the University's financial position as stabilizing.

In terms of the use of proceeds, the reasons it's going up from 30 to an anticipated $35,500,000, you'll note on page one at the bottom under "uses," in addition to refinancing the 2013B bonds, the proceeds will also be used to refinance a conventional bridge loan with RBS Citizens, which is variable rate, but provides for annual principal payments of roughly $450,000 a year through 2020.

As a result of this refinancing, those payments, which are in connection with a building constructed in 2015 will go away. So that's actually going to help reduce their debt service obligations.

On a net basis, their net debt annual debt

service payments will be reduced by roughly $100,000 a year. In addition to this, there are three years remaining on the existing swap on $30,000,000.

They will be paying $900,000 for a swap termination fee. The one addition, banks typically on their transactions do not require debt service reserve fund.

The rating agencies require a debt service reserve fund so there will be an additional $3.2 million in proceeds; but on a net basis, S&P views the situation as a whole positively.

In terms of financial performance, I'll just run through some of the high points quickly on pages 7 through 9. Benedictine has posted roughly a 10-percent drop in undergraduate enrollment.

That's gone from 3300 to approximately 2950 from 2014 to 2016, offsetting that at 10.8 percent undergraduate enrollment decline has been a slight increase in graduate and adult education enrollment; and, more importantly, a 10.3 percent increase in tuition.

So on a net basis, if you look at tuition after financial aid, which is the second line item on page 7 under the income statement, the net

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tuition after financial aid has actually increased just slightly over the years.

But given the fact that they continue to post annual operating surpluses each year, one other management step the University took, beginning in 2014, they reduced the faculty head count by 10 percent from 170 to 153.

So as a result of the proactive steps they took in implementing a plan to increase tuition, increase graduate and adult undergraduate education, and also increase tuition, they have been able to post stronger debt service coverage in 2015 and '16, and that is a factor in S&P's -- the improvement in S&P's outlook from negative to stable.

So, overall, the picture is good. It's backed up by S&P's rating decision. We don't always get the S&P rating in advance of our Board meeting, so we have a little bit more information that confirms our assessment than we usually have.

Do you have any questions or comments?

McCOY: Rich, just a quick one. Who are the counter parties in the swap? Is it the banks or is it someone else? Do you know?

FRAMPTON: It is RBS Citizens.

McCOY: Okay.

OBERNAGEL: Rich, do we finance a lot of universities or colleges, quite a few or --

FRAMPTON: Overall, it's our second biggest segment after hospitals at the moment.

OBERNAGEL: Because I know I serve as vice-chairman at a university, and we had a board meeting. You go back seven, eight years ago, 10 to 15 percent of the people went out of state and graduated from high school.

Now it's 45 percent in the State of Illinois. So I think some of these universities are going to be really in financial straits down the road.

FRAMPTON: I mean, many of the colleges and universities have been struggling. There has really been kind of a stratification in financial performance.

There are privates that are doing well, some that aren't doing so well. Same thing with the publics. The flag ships and the major state universities with large enrollments have tended to hold up pretty well; whereas, the more locally-based state universities have not been doing so well.

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And that's true in Illinois, but it's also true in other states.

MEISTER: A lot of -- just to key off of what Rich said, I think that the proportion of education, which we include nonprofit colleges and universities, but certainly on the dollar volume, that's where educational volume is.

On the piecharts in the treasury report, it's in red. In '15, we had, I think, probably just over 28 percent of our volume as compared to this year, which was just over 6 percent, but to emphasize Richard's point, the challenges with higher ed, with both public and nonprofit, it's a national trend.

And it's something there's been a lot of discussion about with the rating agencies and in the media.

FRAMPTON: And in Illinois, there have been other issues, including the Monetary Assistance Payment grants. The MAP grants have been

problematic, even for the strongest institutions.
CHAIRMAN HORNE: I would say our budget issues statewide are really exacerbating our university systems right now.

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MEISTER: Yes, I agree.
McCOY: That came up when we were looking to DePaul a while ago. We were talking about that.
FRAMPTON: Yes, that's exactly right. DePaul has had financial wherewithal to absorb -- they've been able to provide their existing students.
They've been able to contribute what the students otherwise would have gotten as the MAP grant payments. Obviously not every institution is in a position to do that.
CHAIRMAN HORNE: I think, you know, this is a good question, though, in the context of this Authority because, you know, I think a large part of what's been driving enrollments has been this access to student loans.
And everything I'm reading about this is, you know, in terms of how they review credit to provide these loans, and comparing that to what happened in the housing market in '07, '08.
The credit review on these applications for student loans is non-existent. So the repayment risk right now is substantially higher than it was even in the housing crisis for student loans. So there's a very significant crisis brewing, if it

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hasn't already brewed on the student loan.

But the point is that access to student loans is driving enrollments. And if they have to modify that system, which they're going to have to do, then that's going to have a ripple affect on enrollment, which, you know, to your point, I think it's really -- something we should be watching carefully, because a lot of these schools, you know, 10 percent is a pretty big enrollment drop.

If that went to 30 or 40 percent for somebody, you know, then that really creates a bigger problem.

MEISTER: Well, and I think that issue is also combined with a generational decline in the overall number of 18 year olds graduating from high school and entering college.

CHAIRMAN HORNE: Right. I agree. That's a good point.

FRAMPTON: Prospective students have to look at benefit/cost, in terms of what they are paying for tuition. What's the likelihood they are going to get what they want, what they're expecting, after they complete their degree?

CHAIRMAN HORNE: Yeah.

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FRAMPTON: No certainty to that.

CHAIRMAN HORNE: A barista job at Starbucks.

So, okay. What's next?
LENANE: Tab 3, Three Crowns Park. Three Crowns Park came to our February meeting for a preliminary resolution, and they are now coming for a final resolution in the amount not to exceed $45,000,000 to approve the refunding of the Illinois Finance Authority Series 2006A and 2006B bonds.
Three Crowns is requesting a waiver of the Board policy that non-rated bonds are not to be sold in less than $100,000 denominations because when this was originally sold, they had a feasibility study.
When these bonds were originally issued, they had a feasibility study and had an exception to the non-rated bond policy. Now because this is a refunding for saving, and their savings are going to be approximately $4.5 million, they are entitled to a waiver for that, if the Board so approves that exclusion.
Two changes in the reports, since you voted on it in February, they've eliminated the new money portion, which was going to be a bank private

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placement.
The bank was dragging its feet, and they just decided the market was too good right now, that they would go ahead and do the bank portion later because the bank portion is for renovations and rehab and expansion.
I think you all know Three Crowns Park in

Evanston. It's a lovely continuing care retirement community. Elizabeth used to sit on the board. Denise sat on the board, and Janet Hoffman, who is a lawyer at Katten Muchin, was chairman of the board.

I've been out there for lunch. It's very nice. Very nice. Always had consistent occupancy. No problems with occupancy or running the operation. These bonds will be non-rated fixed rate tax-exempt bonds sold by Ziegler in a public offering.

If you look at the nine-month unaudited financials, they show good debt service coverage of 1.55 and 261 days cash on hand. And as I mentioned earlier, this refunding will save them in present value savings approximately $4.5 million.

CHAIRMAN HORNE: Pam, I have one question. I think I know the answer, but when you look at the liabilities you got long term and other LT in

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long-term liabilities.

Is the other long-term liabilities, is that just an accumulation of -- I assume they have, like, the obligation to buy back someone's unit when they sell, when they pass away or whatever?

FRAMPTON: Entrance fee.

CHAIRMAN HORNE: When you look at the assets, basically it comes out with negative net assets.

LENANE: Other liabilities.

CHAIRMAN HORNE: Yeah.

LENANE: Yeah, that would be entrance fees.

CHAIRMAN HORNE: Entrance fees. So it's just a repayment of entrance fees.
LENANE: Yes.
CHAIRMAN HORNE: Okay. Any other questions?
LENANE: Oh, this is interesting that I found out. They have entered into a program called PILOT, P-I-L-O-T, which is payment in lieu of taxes agreement with the city of Evanston. So they are paying $60,000 annually to the city of Evanston, probably for water, police, fire.
CHAIRMAN HORNE: I think Mather does the same thing. Mather in Evanston also pays taxes.
LENANE: I think that model was set up for

Northwestern University because for years, they didn't pay anything.
CHAIRMAN HORNE: Right.
LENANE: The City of Evanston said, "Come on."
CHAIRMAN HORNE: Right.
LENANE: "We're providing sewer, water, police, fire. We need something."
CHAIRMAN HORNE: You're right.
LENANE: But they have that agreement in effect.
CHAIRMAN HORNE: Okay. Any other questions?
LENANE: Mr. Chairman, could I bring up, because I know you're interested, and others may be, too, the Children's -- Lurie Children's priced yesterday on their $130,000,000 bond issuance.
Prior to that, they got upgraded from to

an A+ positive by S&P, which was excellent, very helpful to the pricing.

At the end of the pricing, the all-in true interest cost is 3.9 percent. By doing this refunding, they have a net present value savings of approximately $20,000,000.

Annual cash flow savings, where is it, annual cash flow savings of $2,000,000, and an

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interest expense cash flow savings of $8,000,000, $8.8 million.

CHAIRMAN HORNE: Wow.

LENANE: Yeah. And, now, they had two bonds, two series of bonds that are callable in February of next year.

So, this was 2008As. They had the As and the Bs. So the CFO I think made a wise decision. In concurrence with his Board, he refunded half of the bonds now to take advantage of the market, and hedged his bet.

And he's going to do the other refunding in February, because this cost he has to have an escrow until the bonds are callable. So that takes a little bit off the savings.

So, hopefully, they'll get good execution in February. The thought is the market is probably not going to be doing that much between now and February. It will be pretty similar, maybe.

CHAIRMAN HORNE: If we could all have a crystal ball and figure that out, it would be great.

LENANE: It was interesting, the trader. I told Eric yesterday.

McCOY: It's a definite maybe.

LENANE: The bond -- not the bond market, but the stock market went crazy yesterday because Trump fired Comey. It's amazing what they'll hang their hat on.

CHAIRMAN HORNE: Yeah.

MEISTER: And the S&P report is in the media clips in the manila folder.

CHAIRMAN HORNE: For Lurie?

MEISTER: Yeah, for Lurie. It's the dated May 4th, 2017.

CHAIRMAN HORNE: Great. Thank you for bringing that up.

LENANE: Yeah, it was very --

CHAIRMAN HORNE: I love hearing the savings part of these stories.

LENANE: Yeah.

CHAIRMAN HORNE: The fact that our borrowers, you know, four-and-a-half million dollars, this is $20,000,000. I mean, that's meaningful savings --

LENANE: Very.

CHAIRMAN HORNE: -- that, you know, passes through these organizations that help them run their operations. I know Lurie Children's, in particular, all the hospitals, really, with the State impasse,

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with the budget impasse, there's been enormous
affects on their operations.
LENANE: Terrible.
CHAIRMAN HORNE: So the fact that we can offset
that with these kind of savings is great.
LENANE: And if you were to ask me, my crystal
ball going forward on the bond activity, I would say
that that is one of the most critical items is the
state budget issue, because they are not paying
their Medicaid reimbursement to the hospital.
CHAIRMAN HORNE: Right.
LENANE: Like memorial in Springfield has a
bond that is refundable with good savings, and they
also want to do a vet dollar, and the market -- the
rate is good right now, but the state owes them --
owed them $100,000,000.
So if you have that kind of hole in your
financials, you get downgraded. You don't get the
benefit of the lower rate.
CHAIRMAN HORNE: Right.
LENANE: So they are holding off. Now the
State did make a payment after they received income
tax receipts. I don't know what happened, but OSF
is in the same predicament.

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They tend to do this to the larger
hospitals. They hold back, effectively because they

are earning 9 percent, effectively 9 percent interest. Where else can you get 9 percent?

So if you have a lot of cash, it's not going to affect you; but if you don't have a lot of cash, it will.

CHAIRMAN HORNE: Yeah. We've got to get through the impasse.

LENANE: That's all.

CHAIRMAN HORNE: We have two resolution items, 5 and 6.

FLETCHER: We're going to skip No. 4. So, technically, we have three. We'll do that separately at the end.

So we're going to skip ahead to item No. 5, which is Toyal America. Toyal America is an aluminum pigment manufacturer with the manufacturing facility in Lockport. The sales office is in Naperville.

They issued an industrial revenue bond in 1997 through IFA's predecessor agency, IDFA, Development Finance Authority. For reasons unknown, when the bond documents were drafted in 1997, the

maturity date was listed as 10 years later, 2007. So they had to come back in 2007.

FRAMPTON: Even though it was a building.

FLETCHER: Right. And as a real estate deal, as a manufacturing facility, the bond financed in 1997. The maturity date was 10 years later, 2007.

So in 2007, they came back to IFA, asked for a 10-year extension, our consent, of course. The Bank of Tokyo Mitsubishi agreed to extend their letter of credit securing the bonds another 10 years.

In 2007, we consented to that. Now it's 2017, 10 years later. So the maturity date is currently June of this year. They are simply asking our consent to again extend that maturity another 10 years; and, likewise, the Bank of Tokyo Mitsubishi is extending their letter of credit, which is helping to secure bondholders in the event of any claim.

So we're simply being asked for our consent here for the amendment to the date of maturity.

CHAIRMAN HORNE: Are these amortizing bonds or, I mean, is it just interest only?

FRAMPTON: They have been interest only. That's the way of Bank of Tokyo Mitsubishi structured this transaction. That's the way these were done commonly in the '80s and '90s.

And at one time, we used to do a lot of credit-enhanced deals for the U.S. subsidiaries of offshore companies and Japanese companies, in particular.

Their roped financing structure were a 30-year bullets, 30-year bullet maturities on real estate deals. So there is no downside risk to the

Authority on this.

If there were a default, the bond issue would just be collapsed and then -- and the bondholders would be paid off. There would be a draw on the letter of credit, and then the workout would be strictly between the bank --

CHAIRMAN HORNE: The bank.

FRAMPTON: -- and the company, after we're out of the picture.

CHAIRMAN HORNE: Got it. Okay.

FLETCHER: It was a $6,000,000 deal, with $6,000,000 still outstanding.

CHAIRMAN HORNE: Okay, thank you.

FLETCHER: Any questions? Because it's a reissuance, we're just recommending a $10,000 fee for our time and work on the transaction. It is extending another 10 years.

CHAIRMAN HORNE: Yeah.

FRAMPTON: Which is really kind of a gift. But, ordinarily, there would just be a letter of credit renewal that would be automatic, and we wouldn't even see it. So we're getting a little upside out of the way they happened to decide to structure it.

FLETCHER: So next we'll move to what is item 7 now in your Board books, item 6 for this Tax-Exempt Committee. My apologies for this late request.

We just received this on Monday. We've been working on this for the last 72 hours. This is a request from Kuusakoski U.S.

MEISTER: And it's the very last document in the manila folder. It's not in the book.

FRAMPTON: With the resolutions.

FLETCHER: We mailed the Board books last week. We received the request this week.

WEBER: Is it 6 or 7?

FLETCHER: It's not in the Board book. It's 6

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for purposes of this agenda.

WEBER: Okay.

FLETCHER: Kuusakoski is a wholly-owned subsidiary of Kuusakoski Group, which is a privately-owned company based in Finland.

The subsidiary issued variable rate bonds through IFA back in 2013 to finance a solid waste recycling plant in Plainfield, electronic equipment, if I remember correctly.

In the 2013 deal, Fifth Third Bank issued a letter of credit securing the variable rate bonds. Fifth Third Bank's collateral for providing that letter of credit was not only the general obligation pledge of Kuusakoski, but they also asked for a standby letter of credit from the Finland-based bank Nordea.

Normally, we can handle substitution of letters of credit. Chris just makes the signatory available as needed. We never have to come to the Board for approval.

The difference here is Fifth Third Bank's letter of credit is expiring in June. Rather than just substitute the letter of credit with Fifth Third Bank, Nordea Bank is going to replace Fifth

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Third; and, therefore, the standby letter of credit is being terminated.

Nordea Bank is not going to secure themselves. So because the collateral structure is changing, bond counsel, which is Paul Durbin at Miller Canfield, felt that we're borderline reissuance here for tax purposes, probably a new 8038, probably a new tax certificate.

So we had to seek your approval on -- this just came up, like I said, on Monday. With the letter of credit expiring in June, we had to make our May meeting. So that's why we had to rush this to the agenda.

Before I say anything else, are there any questions?

MEISTER: Just a couple of short additions. When I execute these sorts of documents, it is an authorization from January of '04 known as our omnibus resolution that allows the Executive Director to take certain ministerial acts.

And in this case, the Authority, under the omnibus, was not available. But, also, there were a couple of particularly interesting things about the underlying transaction and, Brad, either you or

Rich, particularly for the newer Board Members, because I think it was particularly innovative in 2013.

FRAMPTON: Yep. Well, this was actually the first transaction that -- the first solid waste transaction that IFA was able to do as a recycling facility.

The IRS, after years and years of waiting, finally released technical guidance in 2011, and provided guidance on how bonds for recycling facilities could be used.

So Kuusakoski takes waste electronics, CRT tubes, the guts of computers, et cetera, and recycles them. Originally, Kuusakoski, which is based in Finland, was a mining company.

So instead of mining in the ground, in this case they were mining in the recycling plant and recovering gold and copper and other metals that could then be recycled.

Back in 2013, Nordea has always been the relationship bank for the parent company Kuusakoski. And back in 2013, their U.S. branch did not have a rating; hence, they had to go to Fifth Third for the direct pay, which is what the bondholders rely on

and what the credit rating is based off of.

Now, Nordea has a U.S. rating in place.

So that meant the Fifth Third direct pay was no longer necessary, and Nordea could just do this on their own.

But given the fact there is a change from a two-letter-of-credit structure with a standby securing the direct pay to just the direct pay, there was enough of a change to drive bond counsel as good practice, and an abundance of caution, to execute the new tax certificate and other items.

FLETCHER: You had mentioned savings earlier. This is certainly a win-win for the borrower. These letter of credit fees are quite expensive.

They become more expensive each year, which is why we often see our borrowers exiting from the letter of credit structure to a bank direct purchase structure. So here they're going from two letter of credits to one letter of credit. Certainly it will save them a lot of money.

CHAIRMAN HORNE: Absolutely. That is a good point.

FLETCHER: We recommended a $500 fee for this, simply for our time and efforts.

CHAIRMAN HORNE: Okay. Thank you. I would like to request a motion to pass and adopt the following Project Reports and Resolutions: Items 1A, 1B, 2, 3, 5 and 6.

Is there such a motion?

FUENTES: So moved.

OBERNAGEL: Second.

CHAIRMAN HORNE: Will the Assistant Secretary please take the roll?

FLETCHER: Certainly. On the motion and second, I'll call the roll. Mr. Fuentes?

FUENTES: Yes.

FLETCHER: Mr. Goetz on the line?

GOETZ: Yes.

OBERNAGEL: Mr. McCoy?

McCOY: Yes.

FLETCHER: Mr. Obernagel?

OBERNAGEL: Yes.

FLETCHER: Mr. Zeller?

ZELLER: Yes.

FLETCHER: And Chairman Horne?

CHAIRMAN HORNE: Yes.

FLETCHER: Mr. committee Chair, the motion carries.

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CHAIRMAN HORNE: Thank you. So for item No. 4, Member Fuentes is going to leave the room.

FLETCHER: Let the record that Member Fuentes has recused himself from deliberations by exiting the room.

CHAIRMAN HORNE: Do you want to present item No. 4?

FLETCHER: Yes. So next is, moving back to No. 4, which is the Museum of Science and Industry, again, a letter of credit transaction.

So tab 4 is a Final Bond Resolution on

behalf of the Museum of Science and Industry in a not-to-exceed amount of $60,000,000.

In 2009, we issued four series of bonds through IFA, of which approximately just under $60,000,000 is outstanding. The four series are each outstanding in the amount of $14,900,000 each.

They originally were issued in the amounts of $16,000,000 each. All four series are secured by letters of credit with four different banks, Bank of America, Chase, PNC, and Northern Trust.

So the museum is seeking to exit from this letter of credit structure, which is increasingly expensive, as we just discussed, because the letter

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of credit is expiring in September, and they are entering into a bank direct purchase structure.

There will be two banks, PNC and BMO Harris. PNC will purchase the 2017A bonds, the $35,000,000, while BMO Harris will purchase the 2117B bond for $25,000,000.

Both banks have agreed to a variable rate of interest based on LIBOR for an initial term of seven years. We're offering our standard discounted fee for bonds exiting a letter of credit structure. We currently estimate that to be about $75,000 at this point.

So it would actually be higher if we charged our regular fee schedule. Again, there is no new money. This is simply a refunding being done to exit an expensive structure to maintain.

FRAMPTON: And the fee that is being assessed is consistent with what we did a year or so ago for the Field Museum.

CHAIRMAN HORNE: So the original term was 20 what, '09?

FLETCHER: The bonds were issued in 2009, correct.

CHAIRMAN HORNE: So eight years. So was the

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maturity supposed to be now?

FLETCHER: No. So they're issued a seven-day floaters into the market.

CHAIRMAN HORNE: Okay.

FLETCHER: So they were resetting every week, basically on a weekly mode.

CHAIRMAN HORNE: Okay.

FLETCHER: And because those bonds are sold into the market, banks provided their letter of credit to secure bondholders in the event there is any claim against the borrower.

So there is four banks providing four letters of credit, which is very expensive.

CHAIRMAN HORNE: Yes.

FLETCHER: It was a $60,000,000 deal. So it makes sense that not one bank would want to do that, back then.

CHAIRMAN HORNE: Right.

FLETCHER: But they're going to exit that. They are going to enter a new bank direct purchase structure where the banks will just, essentially, own a tax-exempt loan on their portfolio going forward.

CHAIRMAN HORNE: Okay. Any other questions?

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Should we take a vote on item No. 4?

FLETCHER: Yes.

CHAIRMAN HORNE: Is there a motion?

ZELLER: So moved.

McCOY: Second.

CHAIRMAN HORNE: Brad, can you take the roll?

FLETCHER: Certainly. On the motion and second, I'll call the roll. Mr. Goetz on the line?

GOETZ: Yes.

FLETCHER: Mr. McCoy?

McCOY: Yes.

FLETCHER: Mr. Obernagel?

OBERNAGEL: Yes.

FLETCHER: Mr. Zeller?

ZELLER: Yes.

FLETCHER: Chair Horne?

CHAIRMAN HORNE: Yes.

FLETCHER: Mr. Committee Chair, the motion carries.

CHAIRMAN HORNE: Okay, thanks. Is there any other business to come before this committee?

If none, is there any public comment for this committee? Hearing none, I would like to ask for a motion to adjourn.

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McCOY: So moved.
FUENTES: Second.
(A chorus of ayes.)
CHAIRMAN HORNE: Thank you. Okay, the meeting is adjourned.
FLETCHER: The time is 9:11 a.m.
(WHICH WERE ALL THE PROCEEDINGS HAD AT 9:11 A.M.)

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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.

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PAMELA A. MARZULLO
License No. 084-001624