

**MINUTES OF THE AUGUST 3, 2009 MEETING OF THE HEALTHCARE
COMMITTEE OF THE ILLINOIS FINANCE AUTHORITY**

The Healthcare Committee (the “Committee”) of the Illinois Finance Authority (the “IFA”), pursuant to notice duly given, held a Healthcare Committee Meeting via teleconference at 1:02 p.m. on August 3, 2009 at the Illinois Finance Authority, 180 N. Stetson, Suite 2555, Chicago, Illinois:

Members participating by

phone:

Bradley A. Zeller
Michael W. Goetz
Juan B. Rivera

Members absent:

Dr. William J. Barclay, Chair
April D. Verrett

Staff present:

Christopher B. Meister, Deputy
Director & General Counsel
Pamela Lenane, Vice President
Bill Claus, Funding Manager
Kara Nystrom-Boulahanis, Asst.
Secretary
Shannon Govia, Assoc. Funding
Manger

Staff Absent:

None

Others participating by

phone:

Julia Harris, Scott Balice
Lois Scott, Scott Balice

GENERAL BUSINESS

Call to Order and Roll Call

The meeting was called to order by Mr. Goetz at 1:02 p.m. with the above members participating by phone.

Approval of Minutes

The minutes of the July 6th, 2009 meeting of the Healthcare Committee of the Board of Directors were tabled until the following month. The minutes from the May 4, 2009 and the June 2, 2009 meetings were unanimously approved.

Discussion of Projects

No projects were presented.

Other Business

Ms. Lenane shared with the Healthcare Committee the healthcare team’s proposal for a Hospital Assessment Securitization Program (HAP). She stated that she was presenting it to the Healthcare team for their approval before presenting it to the entire Board at the Committee of the Whole Meeting on August 11th. She then indicated that the program would be ready for full Board approval in time for the September Board meeting.

Ms. Lenane then began her description of the program. She stated that program will have a very “attractive” interest rate; she anticipates it will be between 3 and 4%. As an example, a hospital that currently receives \$10 Million per year would be eligible to receive \$40 Million in tax-exempt funding immediately for their capital projects, less the cost of interest, fees, closing, etc. She went on to say that the underwriters for the program had been chosen via the Request for Proposals (RFP) process. Goldman Sachs and Cabrera Capital Markets will be the underwriters. The possibility of adding additional underwriters if the pool is big enough remains open. IFA staff currently anticipates the pool to be between \$200 Million and \$1Billion.

The market currently has no appetite for debt rated lower than AAA or AA. Some BBB rated issues have made it market. Ms. Lenane stated that her team hoped to gauge the support of the board before they spent August and September recruiting hospitals to participate in the pool. There are 150 separate hospitals that could potentially participate in this pool. Ms. Lenane stated that she hoped to have a finalized plan prepared to present to the Board in September that would include the exact rate and the resolution of whether or not additional security will be used to back this issue.

The only collateral for the pool would be the HAP payments. The money from the pool would have to be used for tax-exempt purposes, such as capital expenditures, rather than as operating funds. The only fees that have been quoted so far as \$4 per bond issue from Goldman Sachs. Cabrera’s bid came in slightly higher but they have agreed to accept \$4 be issue as well.

Mr. Rivera asked Ms. Lenane what the risk for the IFA was in issuing this pool. Ms. Lenane stated that at this point the IFA has no credit risk, but as always there is program and reputational risk. It is not a blind pool so we will be identifying all borrowers at closing. If Moral Obligation were wrapped around this issue it would bring credit risk along with institutional risk with the executive and legislative branches.

Lois Scott asked if the IFA needed new authority to use Moral Obligation on this issue. Mr. Meister answered that we do not need additional authority and that this deal would occur under our current \$150 Million cap of which IFA still has \$52 Million available.

Mr. Rivera asked if IFA would be backing the issue up with any collateral other than the HAP payments. Ms. Lenane responded that we would not because that would require individual closings. This method keeps this borrowing off Hospital’s balance sheet. Mr. Goetz asked if any other states had done this. Ms. Lenane responded that no other states had done this due to the fact that their HAP funds are guaranteed for no more than one year. Thanks to Dr. Barry Maram, the Director of the Department of Health and Human Services (DHS) and former director of the Illinois Health Facilities Authority (IHFA) Illinois hospitals had this funding stream secured for 5 years – a suitable length to borrow against. Dr. Maram is a former bond lawyer and director of IHFA understands the financing challenges hospitals face. He was instrumental in insuring this revenue stream for Illinois hospitals.

Ms. Scott stated that it would be interesting to see how the hospitals respond. Some of these hospitals may have already allocated this money for operating expenses. Mr. Zeller

then made a motion to recommend this program to the Board. Mr. Rivera seconded it and the motion passed unanimously.

Respectfully submitted,

Kara Nystrom-Boulaahanis, Assistant Secretary