

1 ILLINOIS FINANCE AUTHORITY  
2 SPECIAL MEETING OF THE DIRECT &  
3 ALTERNATIVE FINANCING COMMITTEE MEMBERS

4 July 9, 2018, at 10:02 a.m.

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6 REPORT OF PROCEEDINGS had at the Special  
7 Meeting of the Direct and Alternative Financing  
8 Committee on July 9, 2018, at the hour of 10:00 a.m.,  
9 pursuant to notice, at 160 North LaSalle Street,  
10 Suite S-1000, Chicago, Illinois.

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1 APPEARANCES:

2 ILLINOIS FINANCE AUTHORITY

DIRECT AND ALTERNATIVE FINANCING COMMITTEE MEMBERS

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COMMITTEE CHAIRMAN LERRY KNOX (via audio  
4 conference)

MR. NEIL HELLER (via audio conference)

5 MS. ARLENE A. JURACEK (via audio conference)

MR. E. LYLE McCOY (via audio conference)

6 MR. BRADLEY R. ZELLER (via audio conference)

7 ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

8 MR. CHRISTOPHER B. MEISTER, IFA Executive Director

MR. BRAD FLETCHER, IFA Assistant Vice-President

9 MS. ELIZABETH WEBER, IFA General Counsel

MR. RYAN OECHSLER, IFA Associate General Counsel

10 MR. STANLEY LUBOFF, IFA Vice President, Loans and  
Guarantees

11 MR. PATRICK EVANS, IFA Agricultural/Rural  
Development Financial Analyst

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GUESTS (via audio conference):

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MR. JEROMY CANNON, Mayer Brown, LLP

14 MR. GREG SCHAECHER, McCall Parkhurst & Horton LLP

MR. DOUG HARTMAN, J.P. Morgan Securities, LLC

15 MR. PETER MASTORAKOS, J.P. Morgan Securities, LLC

MR. MARK HEYMANN, 2020 Buckeye, LLC

16 MR. STEVE ZACCAGNINI, 2020 Buckeye, LLC

MR. STEVE JONES, Jones, Davis & Jackson, PC

17 MR. RON LUSK, member of the public

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23 SULLIVAN REPORTING COMPANY, by

Brad Benjamin, CSR

24 License No. 084-004805

1           CHAIRMAN KNOX: Good morning, everyone. I'd  
2 like to call the meeting to order.

3                     Will the Assistant Secretary please  
4 call the roll?

5           OECHSLER: Certainly.

6                     The time is 2- -- 10:02 a.m.

7                     Mr. Heller via audio conference?

8           HELLER: Here.

9           OECHSLER: Ms. Juracek via audio conference?

10          JURACEK: Here.

11          OECHSLER: Committee Chairman Knox via audio  
12 conference?

13          CHAIRMAN KNOX: Here.

14          OECHSLER: Mr. McCoy via audio conference?

15          McCOY: Here.

16          OECHSLER: Mr. Poole via audio conference?

17                     (No response.)

18          OECHSLER: Mr. Poole?

19                     (No response.)

20          OECHSLER: And Mr. Zeller via audio conference?

21          ZELLER: Here.

22          OECHSLER: Mr. Poole, did you just join?

23                     (No response.)

24          OECHSLER: All right. And Chair Anderberg,

1 ex-officio, non-voting, via audio conference?

2 (No response.)

3 OECHSLER: Mr. Committee Chairman, a quorum of  
4 Committee Members has been constituted.

5 CHAIRMAN KNOX: Thank you.

6 The first item of business is the  
7 Review and Adoption of the Direct and Alternative  
8 Finance Committee Meeting Minutes from June the 12th,  
9 2018. I have a slight modification to the Meeting  
10 Minutes myself, that is my name is misspelled on  
11 page 5, line 14.

12 Other than that change, are there  
13 other additions, edits or corrections to the Minutes  
14 from June 12th, 2018?

15 (No response.)

16 CHAIRMAN KNOX: Hearing none, I would like to  
17 request a motion to approve the Minutes.

18 Is there such a motion?

19 McCOY: McCoy, so moved.

20 ZELLER: Second, Zeller.

21 CHAIRMAN KNOX: All those in favor?

22 (Chorus of ayes.)

23 CHAIRMAN KNOX: Opposed?

24 (No response.)

1 CHAIRMAN KNOX: The ayes have it.

2 The next order of business is the  
3 Presentation and Consideration of New Business.

4 I'd like to ask for the general  
5 consent of the Members to consider each of the New  
6 Business items collectively and to have the  
7 subsequent recorded vote applied to each respective,  
8 individual item, unless there are any specific New  
9 Business items that a Member would like to consider  
10 separately.

11 (No response.)

12 CHAIRMAN KNOX: Hearing none, I would like to  
13 turn it over to Mr. Evans to begin the New Business  
14 items.

15 EVANS: Thank you.

16 Today, we have Phoenix Tile  
17 Distributor [sic], Inc. This is a \$350,000 request  
18 for participation from Town and Country Bank. Its  
19 purpose is to provide a portion of the funding to the  
20 Phoenix Tile to purchase a warehouse. Phoenix Tile  
21 has been a customer of Town and Country Bank since  
22 originating their corporation in 2012.

23 Phoenix Tile is a retail/wholesale  
24 company of tile and ceramics. Scott Smith is

1 president and 51-percent owner of the company, with  
2 his son Derek being the vice president and  
3 49-percent owner. Each individual provides a  
4 unlimited guarantee on this loan.

5           Due to the continued growth of Phoenix  
6 Tile, they have outgrown their current facility and  
7 are seeking a larger facility. Scott did consider  
8 constructing a 25,000-square-foot warehouse, only to  
9 find the cost at \$1.5 million. Then they came across  
10 this 40,000-square-foot warehouse with a rail spur  
11 and four interior doors to replace their existing  
12 business that they were leasing.

13           The purchase of this facility will  
14 allow Phoenix Tile to become a -- more efficient  
15 through expanding the warehouse space that's needed,  
16 creating the opportunity to expand their business,  
17 and generating additional employees as needed. It is  
18 estimated that seven additional full-time employees  
19 will be needed over the next couple of years.

20           The purchase price of this facility is  
21 \$1.35 million with an estimated improvement cost of  
22 \$50,000, totaling \$1.4 million. The \$140,000 of  
23 equity will be injected into this property, leaving  
24 \$1.6 million to be financed -- \$1.26 million to be

1       financed.

2                       The loan will be secured by a first  
3 mortgage on property being purchased and a blanket  
4 lien in the business assets. IFA will subordinate  
5 the first position to Town and Country Bank on both  
6 the real estate and business asset, but will maintain  
7 loan-to-value of 85 percent. You can see the  
8 collateral position on page 10 of the analysis. An  
9 appraisal of the property will be completed and Bank  
10 will limit the loan-to-value to 90 percent of the  
11 lesser of cost or purchase -- or appraisal.

12                      Phoenix financial statements reflect  
13 continuous growth. Net worth has increased  
14 \$1,000- -- \$100,000 per year. As of 4/30, their  
15 net-to-work [sic] was .94 times with a debt-to-asset of  
16 .48.

17                      Phoenix Tile maintains a good current  
18 ratio of 1.97 or better for the past three years.  
19 The guarantor Scott Smith's balance sheet's  
20 considered leveraged; however, in the past year he  
21 has purchased a home and a 2018 Ford Explorer. Derek  
22 Smith's financial is satisfactorily leveraged ratios [sic]  
23 with a modest net worth. Both individuals appear to  
24 have cash on hand to tolerate some short-term

1       adversity.

2                       The Pro forma Income Statement, on  
3       page 8, supports Phoenix Tile's ability to repay the  
4       request with 2017 debt coverage of 1.24. Plus, the  
5       Global Cash Flow Analysis, on page 9, reflects the  
6       income strength of the individuals to their -- to  
7       this credit.

8                       As stated in our analysis, Scott is a  
9       retired fireman working as a fireman from '84 to '96  
10      with Texas, and from '96 to '97 with Decatur Fire  
11      Department.

12                      Per the Town and Country Bank's loan  
13      officer, they receive \$60,000 per year for his life  
14      and continues throughout his wife's lifetime, which  
15      means as a contin- -- you know, that they receive  
16      \$60,000 pension from Decatur Fire Department.

17                      Scott's wife, Melissa works at  
18      OneCoast Limited Liability for five years. Her  
19      salary earned for -- 2017 salary was \$75,000.

20                      In concluding, this loan is perceived  
21      to be secured, with the loan to 85 percent [sic]. From  
22      historical earnings performance, the repayment  
23      ability is perceived. IFA exposure is limited to  
24      five years with monthly payments received. The

1 individual and Phoenix Tile have good working capital  
2 position.

3 Through the IFA participation under  
4 this proposal, Phoenix Tile will be able to purchase  
5 a \$40,000-square-foot [sic] warehouse, allowing them  
6 to become more efficient and continue their growth.  
7 The growth associated with the expansion is expected  
8 to create seven additional full-time jobs.

9 Additionally, as the result of IFA  
10 providing \$350,000 participation at 1 percent lower  
11 interest rate, it will save the Borrower in interest  
12 cost throughout the life of the loan.

13 By providing Phoenix Tile with the  
14 IFA'S support or finance back [sic], Town and Country Bank  
15 will be able to maintain and expand their  
16 relationship with Phoenix Tile that they had since  
17 2012. Although Scott is not a military veteran, IFA  
18 is providing support for a decorated first responder  
19 that has a growing business.

20 Is there any questions on this?

21 JURACEK: Yeah. This is Arlene Juracek.

22 Is the bank unwilling to make a loan  
23 for the entire amount, necessitating our  
24 participation, or is this just an opportunity by

1 expanding our purview to first responders to lower  
2 their costs?

3 EVANS: Actually, there's not benefit -- we're  
4 not given the benefit for the first responder --

5 JURACEK: Okay.

6 EVANS: -- as it's limited to the veterans.  
7 This is an opportunity for the bank to expand a loan  
8 that originally was leveraged because of the  
9 collateral position being only the mortgage. We  
10 negotiated additional assets of the inventory and --

11 FLETCHER: Accounts receivable.

12 EVANS: -- accounts receivable, which totaled  
13 about \$800,000 -- \$850,000.

14 JURACEK: Okay. And the bank could not use  
15 that as collateral, but we could?

16 EVANS: They did not --

17 JURACEK: Or they're unwilling to use it as  
18 collateral.

19 LUBOFF: This is Stan Luboff.

20 The examiners do not like loans on  
21 real estate where the bank is lending more than 80  
22 percent. And so this is an opportunity for the bank  
23 to keep their loan-to-value, at least on their  
24 portion, below that 80-percent line.

1 JURACEK: Thank you. I just wanted to clarify  
2 the context of our participation, so that helps.

3 LUBOFF: Okay. In addition to that, may I  
4 mention that the modest net worths of the guarantors  
5 is impacted by the fact that this is their adjusted  
6 net worths. No ownership in the company is reflected  
7 in their personal financial statements.

8 JURACEK: Okay.

9 CHAIRMAN KNOX: Any other questions on Item  
10 No. 1?

11 (No response.)

12 CHAIRMAN KNOX: Hearing none, let's move  
13 forward to Item No. 2.

14 Mr. Fletcher?

15 FLETCHER: Certainly.

16 Before I begin, can I ask if we have  
17 any guests on the line?

18 MR. DOUG HARTMAN: Hey, Brad, this is Doug  
19 Hartman with J.P. Morgan.

20 FLETCHER: Good morning, Doug. Thanks for  
21 joining.

22 Anyone else?

23 MR. STEVEN ZACCAGNINI: Steve Zaccagnini.

24 FLETCHER: Steve Zaccagnini.

1 MR. GREG SCHAECHER: Greg Schaecher. Greg  
2 Schaecher with McCall Parkhurst.

3 FLETCHER: Thank you, Greg.

4 MR. JEROMY CANNON: Hey, Brad, this is Jeromy  
5 Cannon with Mayer Brown.

6 FLETCHER: Thank you, Jeromy.

7 MR. STEVE JONES: And this is Steve -- Steve  
8 Jones, Jones, Davis & Jackson.

9 FLETCHER: So Committee Members, we have  
10 counsel for the underwriter, Greg Schaeffer [sic];  
11 Jeromy Brown [sic], Bond Counsel with Mayer Brown;  
12 and we also representatives from the borrowers as  
13 well as J.P. Morgan.

14 Tab 3 in your Board Books, No. 2 on  
15 today's Agenda is a Final Bond Resolution on behalf  
16 of 2020 Buckeye, LLC in a not-to-exceed amount of \$30  
17 million. 2020 Buckeye, LLC is a special purpose  
18 entity created by a group of investors to acquire,  
19 improve, and operate two privately-owned surface  
20 parking lots near Midway Airport on Chicago's  
21 southwest side. Collectively, these two parking  
22 facilities currently accommodate between 1,170 and  
23 1,500 vehicles over a combined 6.55 acres.

24 So the transaction before you, the

1 plan of finance contemplates the issuance of taxable  
2 bonds, not tax-exempt bonds, by the Authority,  
3 unwritten J.P. Morgan and publically offered in the  
4 capital markets.

5 In accordance with IFA policy, the  
6 taxable bonds will be offered in minimum  
7 denominations of \$100,000 only to accredited  
8 investors and qualified institutional buyers. The  
9 taxable bonds will not be rated. Bond holders will  
10 be secured by a gross revenue pledge and a first  
11 mortgage on the subject properties. Additionally,  
12 bond holders' security will be enhanced by a debt  
13 service reserve fund.

14 The expected acquisition cost is  
15 expected to be \$21.5 million while rehabilitation  
16 costs are estimated to be \$1.25 million, which  
17 includes concrete, asphalt, signage, and various  
18 other improvements to the two parking facilities.

19 As a startup entity, proceeds of the  
20 taxable bond issuance is expected to fund working  
21 capital costs in an estimated amount of \$750,000.

22 2020 Buckeye, LLC, the Borrower, has  
23 engaged an affiliate to manage the subject properties  
24 upon acquisition. Mark Heymann and Steve Zaccagnini

1 will operate the parking facilities utilizing their  
2 past management experience. Mr. Heymann brings 40  
3 years of experience in the hospitality industry, and  
4 Steve Zaccagnini has over 25 years of experience as a  
5 management and marketing executive in commercial real  
6 estate and facilities management in addition to five  
7 years of experience as an independent broker, focused  
8 on buying triple-net properties and parking assets.

9 As proposed, the Series 2018 Taxable  
10 Bonds will have a not-to-exceed maturity of 35 years,  
11 while the expected final maturity, based on the  
12 latest numbers run, is anticipated to be  
13 approximately 20 years. The bonds can be optionally  
14 redeemed by the Borrower on and after July 1st, 2028.

15 Turning to the confidential section  
16 of the report on page 6, you'll note that we have  
17 shared the Cash Flow Forecast that will be given to  
18 potential investors in the Offering Document. Given  
19 this forecast, the borrower is expected to generate  
20 sufficient net operating income to cover fixed  
21 charge, including debt service of at least 1.46  
22 times.

23 The Cash Flow Forecast further assumes  
24 that the proposed taxable revenue bond issue is

1 anticipated to close as of July 31st, 2018, and  
2 aggregate principal amount of bonds issued will be  
3 approximately \$26.79 million. Annual principal  
4 payments will commence January 1st, 2020, and they  
5 will be annual every January 1st, while interest  
6 payments will be semiannual, January 1st and  
7 July 1st, also commencing January 1st, 2019.

8           Based on the latest numbers run by  
9 J.P. Morgan, the bonds are expected to bear interest  
10 at fixed rates between 4.17 percent and 6.38 percent  
11 depending on maturity. Again, these are taxable  
12 bonds that is contemplated to be issued by the  
13 Authority, not tax-exempt bonds.

14           The revenues in the Cash Flow Forecast  
15 include investment earnings on a debt service reserve  
16 fund and an assumed annual rate of 2 percent. Again,  
17 the final maturity date is expected to be January  
18 1st, 2039, approximately 20 years.

19           As a family owned business, historical  
20 audit financials are not available, but we did  
21 provide historical revenues from 2014 to 2017 on the  
22 bottom of page 6.

23           The remainder of the report attempts  
24 to summarize the feasibility study provided as

1 Exhibit A to your report, which will also be provided  
2 to potential investors in the preliminary Offering  
3 Memorandum.

4 The Chicago-based feasibility  
5 consultant is DESMAN, who has significant experience  
6 in parking facilities near U.S. airports.

7 At this time, I'd like to ask if  
8 there's questions for myself or if there's any  
9 questions for members of the transaction team on the  
10 phone.

11 (No response.)

12 CHAIRMAN KNOX: Okay. Not hearing any  
13 questions, what I'd like to do is I'd like to request  
14 a motion to pass and adopt the following New Business  
15 Items: Items No. 1 and 2.

16 Is there such a motion?

17 ZELLER: So moved, Mr. Zeller.

18 JURACEK: Second, Arlene Juracek.

19 CHAIRMAN KNOX: Will the Assistant Secretary  
20 please call the roll?

21 OECHSLER: Yes.

22 On the motion and second, I will call  
23 the roll.

24 Mr. Heller?

1 HELLER: Yes.

2 OECHSLER: Ms. Juracek?

3 JURACEK: Yes.

4 OECHSLER: Committee Chairman Knox?

5 CHAIRMAN KNOX: Yes.

6 OECHSLER: Mr. McCoy?

7 McCOY: Yes.

8 OECHSLER: And Mr. Zeller?

9 ZELLER: Yes.

10 OECHSLER: Mr. Committee Chairman, the motion  
11 carries.

12 CHAIRMAN KNOX: Thank you.

13 Is there any other business to come  
14 before the Committee?

15 (No response.)

16 CHAIRMAN KNOX: Hearing none, is there any  
17 public comments for the Committee?

18 (No response.)

19 CHAIRMAN KNOX: Hearing none, I would like to  
20 request a motion to adjourn.

21 Is there such a motion?

22 ZELLER: So moved, Zeller.

23 McCOY: McCoy seconds.

24 CHAIRMAN KNOX: All those in favor?

1 (Chorus of ayes.)

2 CHAIRMAN KNOX: Opposed?

3 (No response.)

4 CHAIRMAN KNOX: Hearing none, the ayes have it.

5 Thank you, everyone, for your time in  
6 the meeting today. Thank you for the folks bringing  
7 projects before the IFA. We appreciate the  
8 opportunity to work with you and serve you.

9 With that, we are adjourned for the  
10 day. Thank you, everyone.

11 FLETCHER: Thank you.

12 OECHSLER: The time is 10:20.

13 (Whereupon the above  
14 matter was adjourned.)

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