ILLINOIS FINANCE AUTHORITY.

SPECIAL MEETING OF THE TAX-EXEMPT

CONDUIT TRANSACTIONS COMMITTEE MEMBERS

September 11, 2018, at 8:31 a.m.

REPORT OF PROCEEDINGS had at the Special Meeting of the Tax-Exempt Conduit Transactions Committee on September 11, 2018, at the hour of 8:30 a.m., pursuant to notice, at 160 North LaSalle Street, Suite S-1000, Chicago, Illinois.

APPEARANCES:

ILLINOIS FINANCE AUTHORITY
TAX-EXEMPT CONDUIT TRANSACTIONS COMMITTEE MEMBERS

COMMITTEE VICE CHAIR E. LYLE McCOY
MR. MIKE GOETZ
MS. ARLENE A. JURACEK
MR. GEORGE OBERNAGEL (via audio conference)
MR. BRADLEY R. ZELLER
MR. ERIC R. ANDERBERG, ex officio, non-voting

ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

MR. CHRISTOPHER B. MEISTER, IFA Executive Director
MS. PAMELA LENANE, Vice President
MR. RICH FRAMPTON, Vice President
MR. RYAN OECHSLER, IFA Associate General Counsel
MS. ELIZABETH WEBER, General Counsel and Legal Adviser to the Board
MS. KATHY LYDON, IFA Federal Policy Director (via audio conference)

GUESTS:

MR. JEFF WHITE, Columbia Capital Management
MR. TODD SMART, Bank of America Merrill Lynch
MS. JESSICA AKAAH, Memory Care Foundation
MR. BART PLANK, KeyBanc
MS. LISA BONNETT, Illinois Finance Authority
MR. CAMERON WILSON, Illinois Finance Authority
MR. BILL ATWOOD, Illinois Finance Authority
MR. TOM MORSCH, Illinois Finance Authority

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VICE CHAIR McCOY: I'd like to call the meeting to order.

Will the Assistant Secretary please call the roll?

OECHSLER: Certainly. The time is 8:31 a.m.

Mr. Goetz?

GOETZ: Here.

OECHSLER: Ms. Juracek?

JURACEK: Here.

OECHSLER: Mr. McCoy?

VICE CHAIR McCOY: Here.

OECHSLER: Mr. Obernagel, via audio conference?

OBERNAGEL: Here.

OECHSLER: And Mr. Zeller?

ZELLER: Here.

OECHSLER: Committee Vice Chair McCoy -- oh, excuse me.

And Chair Anderberg, ex-officio, non-voting?

ANDERBERG: Here.

OECHSLER: Committee Vice Chair McCoy, a quorum of Committee Members has been constituted.

VICE CHAIR McCOY: Thank you.

With respect to the Minutes from the

last meeting of August 14th, 2018, does anybody wish to make any additions, edits, corrections to those said Minutes?

(No response.)

VICE CHAIR McCOY: Hearing none, I would like to request a motion to approve the Minutes.

Is there such a motion?

GOETZ: So moved.

ZELLER: Second.

VICE CHAIR McCOY: Thank you.

All those in favor?

(Chorus of ayes.)

VICE CHAIR McCOY: Opposed?

(No response.)

VICE CHAIR McCOY: The ayes have it.

Moving on to the Presentation and Consideration of New Business, I'd like to ask for the general consent of the Members to consider each of the New Business items collectively and to have the subsequent recorded vote applied to each respective, individual item, unless there's a specific New Business item -- items that a Member would like to consider separately.

GOETZ: Yes. I would like to recuse myself from any deliberations and voting with respect to Item No. 1, the Edward-Elmhurst Healthcare of the New Business items, because I have a family member who works for the financial advisor in this transaction.

VICE CHAIR McCOY: Okay. I would like to consider Item 1 first and take the roll call vote, and then consider the remaining items and take a second roll call vote. Thank you.

GOETZ: We're going to do that one first, right?

VICE CHAIR McCOY: Yeah. Don't go far.

GOETZ: Yeah. Okay.

OECHSLER: Please let the record reflect that Member Goetz has exited the room.

LENANE: Okay.

VICE CHAIR McCOY: You're on.

LENANE: I know. I know. I'm really sorry. I'm having a printer issue here. I was printing stuff and other stuff jumped ahead of me, so I don't know. Oh my God, I may have to do this cold without my notes. Ah. I got it.

Okay. Edward-Elmhurst Healthcare is seeking approval of one-time Final Bond Resolution in an amount not to exceed $275 million. I'd like to call to your attention that there are two Resolutions. That's a -- two Resolutions in the manilla folder. One is for -- they're doing a tax-exempt portion and a taxable portion, both through the Authority. They needed to do the -- as explanation, they needed to do the -- get a CUSIP number for the taxable series, and they would have had to come -- they had to come through the Authority.

So as is our custom in health care, I -- if they paid for the tax-exempt series, I don't charge them for taxable because they could do it on their own. And this way, looking forward, thinking, you know, maybe people would still issue taxable bonds through us, you know, even on a singular basis for the CUSIP.

But anyway, the Bonds will be used to refund all of their Taxable Series 2013A issued on behalf of Elmhurst Memorial Healthcare. The proceeds would be used to finance, refinance, acquire, construct certain health care facilities for Edward-Elmhurst Memorial [sic] Hospital. They're refunding the Illinois Finance Authority 2- -- 2013C and D Bonds, the proceeds of which were used to refund -- were used to finance and refinance the costs of acquiring and remodeling and equipping certain health care facilities and pay interest expense.

As you know, Elmhurst Hospital is located in Elmhurst; Edward Hospital is located in DuPage County. Elmhurst Hospital is located in Elmhurst. Currently, they have 8,125 jobs.

Edward-Elmhurst coordinate -- Healthcare coordinates three hospitals: Edward Hospital in Naperville, which is a -- let's see -- 349-bed acute care facility, and there's some nice explanations in here about their different hospitals and the -- the improve- -- what I've seen as the improvement in the different services that they're offering. It's really changed a lot since we last looked at either Edward or Elmhurst. They've really become quite complete.

So -- and then -- so we have Edward-Elmhurst Hospi- -- Edward Hospital, Elmhurst Hospital, and Linden Hospital, and I'm not going to go through all that.

Okay. All right. The structure of the transaction is a taxable bridge bond to refund to

2013A Bonds in the amount of $80 million. The Bonds will be purchased by Bank of America Merrill Lynch and are expected to be refinanced by a taxable, floating-rate structure, consisting of variable-rate demand obligations backed by a Barclays letter of credit. Approximately $140 million will be done in tax-exempt, fixed-rate bonds and $55 million in tax-exempt, floating-rate bonds.

The current ratings for Edward-Elmhurst Hospital are A, stable, from both S&P and Fitch. They have strong debt service coverage of 5.2 and 230 days cash on hand.

If we go over to the financials, there is a discussion of why their figures were down in '16 and -- I'm on the wrong tab.

If you look at the financials, in '16 and '17, their debt service coverages were low, 3.2 and 2.6. That was because they're driven by negative operating margins in each of those years, but they've come back strong with expense reduction and managed care contract negotiations, bringing them up to their current 5.2 debt service coverage.

As you will note, the 2016 and 2017 Bonds had to be restated. And what I've put in here is the exact language that they've posted on EMMA to explain why those two years were restated. And it's long and involved, and you can read it at your leisure.

VICE CHAIR McCOY: Any questions?

(No response.)

VICE CHAIR McCOY: Okay. I'd like -- if there are no questions, I would like to request a motion to pass and adopt the following New Business items: Items No. 1A and 1B.

Is there such a motion?

JURACEK: So moved.

VICE CHAIR McCOY: Thank you.

Second?

ZELLER: Second.

VICE CHAIR McCOY: Thank you.

Will the Assistant Secretary please call the roll?

OECHSLER: Certainly. On the motion and second, I will call the roll.

OECHSLER: Ms. Juracek?

JURACEK: Yes.

OECHSLER: Mr. McCoy?

VICE CHAIR McCOY: Yes.

OECHSLER: Mr. Obernagel, via audio conference?

OBERNAGEL: Yes.

OECHSLER: And Mr. Zeller?

ZELLER: Yes.

OECHSLER: Committee Vice Chair McCoy, the motion carries.

VICE CHAIR McCOY: Okay. Thank you.

Member Goetz, please.

OECHSLER: Please let the record show that Member Goetz has reentered the room.

VICE CHAIR McCOY: Okay. I think we can move on to Item 2 then, please.

FRAMPTON: Yes. Item 2, which may also be found on page 37 of the Tax-Exempt Conduit Committee packet, is a Final Bond Resolution in an amount not to exceed $210 million for Roosevelt University. This would provide for a refunding of all or a portion of the University's Series 2007 Bonds as well as its 2009 Bonds. Both the 2007 and 2009 Bonds were originally issued and assigned investment grade ratings by both Moody's and Fitch.

Since 2012, there have been a series of downgrades in Roosevelt's credit ratings, and the 2007 Bonds are currently rated B1 by Fitch, which is equivalent to a B- rating and BB by Fitch. Whereas the 2009 Bonds are presently rated Ba3 by Moody's and BB by Fitch. So all the ratings are sub-investment grade.

Because the original Bonds were investment grade, they were eligible to be sold, both initially and in the secondary market, as in -- to retail investors since Authority policy allowed tho- -- the 2007 and 2009 Bonds to be sold in sub $100,000 denominations. One of the benefits of this refunding is that all of the new 2018 Bonds will be sold in minimum dominations of $100,000 to -- with both initial and secondary market distribution limited to institutional investors.

So -- and more specifically, the University right now anticipates refunding. If you turn to page 2 and look at the uses of funds, at the present time, the University contemplates refunding approximately $7.7 million of the outstanding balance of its 2007 Bonds. The outstanding balance is roughly $40 million, while the University anticipates refunding 100 percent of the outstanding balance of their 2009 Bonds.

So the only bonds that will remain

rated and potentially in retail hands will be the outstanding balance of the Series 2007 Bonds. And if you look at the starred item on page 2, which is a note to the sources and uses of funds, following this refunding this anticipated balance of 2007 Bonds, will be down to between $33 and $35 million.

So the potential bonds in retail hands will be reduced from roughly $215 million presently to $33 to $35 million after this financing closes. And again, 100 percent of the new Bonds will be purchased by institutional investors pursuant to investor letters that satisfy all IFA Bond Program Handbook requirements.

Turning to the Universities's financial performance, if you turn to page 16 of the report, there's a table that -- that reports the University's enrollment trends from fall of 2010 through fall of 2017. So fall of 2017 is actually fis- -- is actually Fiscal Year 2018. But during this time, the University's enrollment from fall 2014 to fall 2017, just in terms of head count, fell by 27 percent. So those results have flowed through their financial statements.

The University has attempted to

address these enrollment challenges by undertaking a strategic review of their asset holdings, and in response to that, they currently have the -- their Gage building, which -- a portion of which was financed by the 2007 Bonds, up for sale. That's a 126,000-square-foot office condominium space located at 18 to 28 South Michigan Avenue. The Gage restaurant shares half of the first floor space with the University.

But all of the space in that building that the University controls they own through a condominium interest. So that's listed for sale in the market. When that property is sold, the balance of the 2007 Bonds will be reduced further from $33 to $35 million down to somewhere in the $20s, it's anticipated. The Gage property was appraised back in 2009 for roughly $15 million.

So the University has effectively been addressing their enrollment challenges by consolidating their real estate property ownership as exhibited through their forthcoming or future sale with the Gage building.

In addition to that, they've also addressed that by reducing faculty and staff head count. That's reported in the chart on page 17. And their faculty and staff head count is down roughly 20 percent from 2014 and by 10 -- by 10 percent just within the past year. Similarly, they've also reduced their tenured faculty head count. And what they're hoping to do by pursuing this strategy is to better match their operating costs by matching their faculty usage to student enrollment.

One of the things that this financing will do is reduce their future debt service obligations, which are scheduled to step up and feature stepped-up principal payments in 2021. By undertaking this financing, they will be restructuring their future debt service payments to match those that they've been paying historically, which they've been able to service. The University, just with steady to slight declines in enrollment, expects to post balanced budgets beginning in the next two to three years.

So the University has undertaken a very systematic approach in restructuring their debt. It's been -- these efforts have been led by the University's president, Dr. Ali Malekzadeh, who became president in 2017. He was previously Dean of the College of Business at Kansas State. Notably, he increased fundraising substantially. And in 2017 Roosevelt benefitted from a $25 million gift, which, if you look at the University's total net assets as of August 31, 2017, they jump substantially, and that was largely reflected in this one-time gift. So -- but they're hopeful that that will continue going forward.

Another key hire was the University hired a new vice president and chief financial officer who had prior experience with the University of Chicago and Boston University and was vice chancellor of finance at the University of North Texas System where he's -- where in six and a half years, he oversaw a double di- -- double upgrade of the University of North Texas state's bond rating from A1 to Aa2 by Moody's.

So by pursuing and undertaking this financing, the Authority substantially reduces the amount of Bonds that are available for retail investment. All of the current 2009 bondholders and the refunded 2007 bondholders will be paid in full, and this will help put the University in a better position going forward.

Mr. Jeff White, of Columbia Capital Management, of Overland Park, Kansas, is the financial adviser to the University. He is attending the 9:30 meeting, and will be available for any questions or comments.

And with that, I'll conclude my remarks.

VICE CHAIR McCOY: Thanks, Rich.

WEBER: Vice Chair McCoy, since we have three new guests here, I'd like to give them an opportunity to introduce themselves.

VICE CHAIR McCOY: Thank you.

MR. BART PLANK: I'm Bart Plank. I'm with KeyBanc, here for, I believe, the next agenda. I'm from Memory Care Foundation.

VICE CHAIR McCOY: Thank you.

MR. TODD SMART: I'm Todd Smart, Bank of America Merrill Lynch, for the Edward-Elmhurst transaction.

MS. JESSICA AKAAH: Jessica Akaah with the Memory Care Foundation.

VICE CHAIR McCOY: Welcome. Thank you.

Any questions for Rich?

(No response.)

VICE CHAIR McCOY: You know, when I look at this, it's not a good picture. You know, one of the things that comes out of it is -- and I don't know enough about it, but when you get down to management and leadership, and you touched on that a little bit, you know, new people coming in, why the slide? What happened to the University to find themselves in this position?

FRAMPTON: Part of it was --

VICE CHAIR McCOY: From an enrollment standpoint.

FRAMPTON: Yeah. Some of the enrollment challenges have been related to the State's monetary assistance program. And one of the things, if you look at their gross tuition and compare that to net tuition after financial aide, their ability to provide student aide has been reduced, which has affected their enrollments. But a lot of the uncertainty relating to the monetary assistant payment program caused many universities, not just Roosevelt, considerable challenges in -- in maintaining their freshman enrollment in particular.

Just in terms of indicators that suggest that, perhaps, they may be turning the corner, if you look at page 17 -- the chart on page 17, and look at entering freshman and undergraduate transfers, the ongoing trend --

VICE CHAIR McCOY: Page 16? 16?

FRAMPTON: Going from '16 to fall '17, both their entering freshman and undergraduate transfer enrollments -- yeah. So they finally reversed the downtrend.

And in addition to that, in the following sentence -- this is not public yet -- but they're also posting an unexpected increase, really, in student head count that they did not account for in their 2019 budget, so that's certainly another positive.

So those are indicators that, at least for Fiscal '19, their enrollment picture appears to be improving.

MEISTER: And, Vice Chair McCoy, in your manilla packet, we have a September 4th Bond Buyer article, and this is the headline that provides some overall context to Rich's specific information on Roosevelt: Midwest's Universities Scramble for a Shrinking High School Graduate Pool. So that's the larger situation.

VICE CHAIR McCOY: Thank you.

GOETZ: I guess I'd be concerned if it was new money, you know, to be used to for new things. And, you know, all they're trying to really do is reduce their debt service. So...

VICE CHAIR McCOY: Well, I think that's right. And I think you have to go back to when they built the facility, you can question that --

GOETZ: Yeah.

VICE CHAIR McCOY: -- facility being built, which sort of got them into the position they're in.

I think the important thing is -- and you hit on it -- is this takes out a lot of retail people, a lot of investors. I don't know how many --

GOETZ: Yeah. Right. Exactly.

VICE CHAIR McCOY: -- at a good time at 100 percent and, I think, moves to an institutional market that we assume is -- knows what they're getting into, which I think is important, and hopefully is bottomed out and it helps them stabilize and move forward.

So while I don't -- it's not a great picture, I think it's something that I'd certainly vote for now.

Okay. Thanks, Rich. Any other questions for Rich?

FRAMPTON: You're welcome. Okay. Thank you.

VICE CHAIR McCOY: Thank you.

LENANE: Next, we have TMCF -- TMCF No. I, [sic] LLC, which is a controlled affiliate of the Memory Care Foundation. They're seeking approval of a one-time Final Bond Resolution in the amount of $178 million. The Bond proceeds will be used by -- I'm just going to call them Memory Care because I can't say these initials.

VICE CHAIR McCOY: Can't remember them?

LENANE: I can't remember them and say them straight.

Is a controlled affiliate of the Memory Care Foundation. They're going to finance or reimburse the costs of acquisitions of ten facilities, four of which are located in Illinois.

Let me go through them here. We have Arlington Heights Memory Care, located at 1625 South Arlington Heights, operating a 66-bed un- -- facility; Fort Mill Memory Care in Fort Mill, South Carolina; Georgetown Memory --

VICE CHAIR McCOY: I don't think you have to go through them.

LENANE: Oh, okay.

VICE CHAIR McCOY: We got them.

LENANE: Okay. You got them all there.

VICE CHAIR McCOY: Yeah. They're in here.

LENANE: I think two points to note here: one, these communities were all developed and constructed and opened between 2010 and 2017, so these are all brand-new facilities.

And I'm going to pass this book around, which Jessica Akaah, the president of Memory Care -- right? -- Foundation, brought. This is -- it's a standard model, as I understand it. I was -- I was supposed to go visit the one in Arlington Heights on Friday, but then due to Board commitments I couldn't make it, but I will go soon.

But I under- -- maybe Jessica, do you want to just say a little bit about Memory Care? You want to get into -- or should I do the report? Why don't you just say a little bit about the facilities themselves.

MS. JESSICA AKAAH: Okay. They are -- our model is that they all have the same floor plan, so this one book will kind of give you a general idea.

Some are, as Pam mentioned, licensed for 64, but our model is that we would only have 46 to 64 residents in the community. In Illinois, we are able to license for extra residents if need be.

So it's one -- it's about 24,000 square feet, one floor. We feel that for Memory Care it's really important that they have a lot of room to wander and to walk around and not feel like they're in a confined area. Lots of windows, lots of light, outdoor space, but we do use the same floor plan and model for all of our communities. So if you went to Arlington Heights or St. Charles or even to Georgia, you would be in a very similar feel. Obviously, the color schemes sometimes change, but they're very similar because we feel that that's the best for our -- that population.

JURACEK: I live just a few blocks from Autumn Leaves in Arlington Heights.

MS. JESSICA AKAAH: Oh, great.

JURACEK: And so I've been watching it because I'm the mayor of Mount Prospect, and, of course, caring for our aging population is an important issue for us.

What I've been impressed -- is the

physical quality of the building. And the project, the construction project itself -- itself seemed really well managed. It went up quickly and became occupied quickly, and that's what I like to see. Things didn't linger on, and it looked like you're trying to be to a responsible member, reflective of Arlington Heights community's standards, which would be similar to all of the communities that you've located into. So I've been impressed with the product.

MS. JESSICA AKAAH: Thank you.

MEISTER: Jessica?

MS. JESSICA AKAAH: Yes.

MEISTER: Could you -- we supplemented, in the materials for the Board Members, your experience and the experience of your team and board members of the management team in the specific memory care and human services context, if you share that a little bit.

MS. JESSICA AKAAH: Sure. How we have -- how the operations work?

MEISTER: Yes, and a little background.

MS. JESSICA AKAAH: Okay.

MEISTER: When Pam and I --

LENANE: I think more of the -- because -- you can find this in your Board Book manilla folder, the memo from me to the Board giving the bios -- I mean he really wants to know about Melvin, Mitchell, and you.

MS. JESSICA AKAAH: Okay.

LENANE: And John.

MS. JESSICA AKAAH: So I'm also -- I currently run the operations for the management company, which is through LaSalle and Autumn Leaves.

So my father is a Melvin Warren, Jr.; my brother is Mitchell Warren. We started Autumn Leaves about 20 years ago in Arlington, Texas. We have a real passion for standalone memory care. We've had family members affected, and felt that, a lot of time, assisted living and independent living is the focus and the memory care is sort of the byproduct of that, they feed into that.

Where we found a real niche, that if we did just standalone memory care and made that our focus, we can really provide the best care to those residents afflicted with the disease. And about 20 years ago, we were one of the very first to do that. And we've been able to, I think, through our model, really provide that best care and be the experts and leaders in the memory care.

It has evolved over the past 20 years. Obviously, more competitors have come into the market, but we've really tried to stay ahead of the trend and the research, and make sure that we're always improving our programming, our staffing, to ensure that we are providing that best care.

My background is in social work. I'm a licensed clinic social worker. I never went to Dallas. We opened our first community in Dallas and then we -- that leased up quickly, in, like, seven to eight months, and we started to grow. We have about seven to eight communities in the Dallas/Fort Worth area, and then we came to Chicago. And I went to grad school at University of Chicago. It was a natural transition that I started to open and manage the properties here in the Chicagoland area.

Now we have about ten in this area, and then we've grown into -- now we're in six states. And we try to build in areas where we can have at least four to ten properties, so it helps with management. Since our communities are small, it's about 46 to 54 units, like I said, a lot of the kind of oversight comes from more of our regional team and more of myself because we really want people in our communities to focus on our staff and our residents.

So our -- we have an executive director that oversees that building, but primarily their role is to ensure that we're providing the best care. And then I and my team takes care of more of the billing, the oversight of ensuring that, you know, the budgets are being met and all of that. So we don't like to overwhelm our community staff with that, and that model has really worked for us.

VICE CHAIR McCOY: So you've been involved for over 20 years, then, in in building these --

MS. JESSICA AKAAH: I --

VICE CHAIR McCOY: Or, no. Because they -- as a family, you've been doing it --

MS. JESSICA AKAAH: Yes. Yes. Yes. Yes.

VICE CHAIR McCOY: So this is just a snapshot, then, of the facilities that you have?

MS. JESSICA AKAAH: Yes.

VICE CHAIR McCOY: So how many do you have, then, in total?

MS. JESSICA AKAAH: We have about 50.

VICE CHAIR McCOY: Okay.

LENANE: 50? I thought 58 in my POS. Maybe not. 50?

MS. JESSICA AKAAH: I think we have closer to 50 in it.

LENANE: Okay.

MS. JESSICA AKAAH: But we still have two or three under construction right now.

LENANE: Oh. 50 plus these?

MS. JESSICA AKAAH: No.

LENANE: No. Including --

MS. JESSICA AKAAH: Including these. Yes.

LENANE: -- these facilities. You have 50 facilities. Okay.

VICE CHAIR McCOY: In the six states, whatever, right?

MS. JESSICA AKAAH: Yes.

VICE CHAIR McCOY: Okay. I guess one question and -- and just in terms of due diligence, you probably can't -- have you had issues? Any major issues that happened over the 20 years?

MS. JESSICA AKAAH: Lots of issues, but no major issues.

VICE CHAIR McCOY: No major issues.

MR. BART PLANK: You always have issues, and I think it's important to understand, as probably you guys are more familiar with retirement community models outside of memory care. There's a much shorter length of stay. And I do post-acute care financing for living, you know. So the occupancies are -- have more volatility to them because you have a shorter length of stay. Whereas if you have a traditional CCRC, you might have an eight-year average length of stay because you start with an independent living-individual whereas the health care needs are more dire, you know, for these individuals.

But I think what we've seen in our diligence as the underwriter is a very strong ability to meet those occupancy challenges because occupancy drives revenue and profitability, which will ultimately support the debt service on the bonds.

So where you unfortunately have situations where -- and again, in the 40 -- low 40s units, you know, if you lose four people, that's a big hit to your occupancy. But what we've seen is a very strong ability to continue to add more residents as the occupancy changes over time.

VICE CHAIR McCOY: Yeah. I guess where I was coming in is just -- it's asking the question in terms of level of service. You know, there haven't been issues around things like that.

MS. JESSICA AKAAH: No. Our average length of stay is about two years. We really -- since our communities are small, you really develop that relationship with the families. And they really -- our motto is this is their home. It kind of becomes a home-away-from-home, and we really want the families to feel like this -- this is their home too. I think we're able to build those really strong ties and no major lawsuit. You know, they have no major issues over the 20 years.

VICE CHAIR McCOY: Okay. Thank you.

LENANE: And I think -- I think the preliminary appeal was -- you said you're 85 percent full on average, with -- with a couple lower -- I think, lower than that because they're newer.

MS. JESSICA AKAAH: Yes.

LENANE: So that's an average. Some are higher. Some are -- a little bit, the newer ones, the last two, I think, just came on '16 and '17?

MS. JESSICA AKAAH: Yes. It can -- and they can take about -- and we don't -- we average about a year to year and a half for lease-up. So when you're dealing with this population, you don't want to bring all 40 in the first month. That would just be a nightmare. So we try to -- we average about six residents a month and kind of try to do it that way.

MR. BART PLANK: Okay. The June 30 occupancy is on the aggregate about 87.3 percent for that portfolio, with the low being about 78 percent before due diligence and the lease-up.

LENANE: Okay. Also, maybe this is a good time to mention -- that I wasn't able to get in the report -- there is an affordability covenant in the loan agreement. So there're no less than 20 percent of the total number of units each facility that's included in these portfolios shall be at all times rendered to or occupied by low-income tenants.

So if that doesn't make you happy --

GOETZ: Yeah, it does. Yeah, it does.

The State of Illinois is coming up with a pilot program, or they already have, are you participating in that, or do you know what that is?

MR. BART PLANK: It hasn't been discussed with this.

GOETZ: It hasn't been discussed?

MR. BART PLANK: Everyone is aware that it's out there. The properties are appraised --

GOETZ: Yeah.

MR. BART PLANK: -- both with and without the property taxes reserve.

GOETZ: Well, they're coming up with a pilot program to make memory care Medicare eligible, you know, because currently it's not, right?

LENANE: Uh-huh.

GOETZ: So they're coming up with a pilot program. They're going to license, like, I think 30 facilities to kind of be a pilot program to, you know, take in Medicare-eligible people. So it's not all private pay. I just didn't know if you were participating in that.

MS. JESSICA AKAAH: We are not currently.

MR. BART PLANK: Jessica, maybe also in that vein, you want to talk a little bit about kind of what one of the primary drivers is of starting Memory Care Foundation as a nonprofit for residents and affordability, and running down of assets.

MS. JESSICA AKAAH: Yeah. So we -- this is something we've always hoped to be able to do. You know, like I said, our average length of stay is two years, but we have residents that have been with us five, ten years. I have a resident in Vernon Hills who loves to tell me he's paid me almost a million dollars for his wife to be there because she's been there for so long.

So we hope -- we've always hoped to find a way where, when residents do move, run out of assets, that we strategically will move them to a smaller room or find a way. But we would love to put a program together where we would be able to cover their rent so they didn't have to move to Medicaid or move to skilled nursing, where they could pass with us.

GOETZ: But they would have to be a skilled a nursing home, right?

MS. JESSICA AKAAH: Yes. So that's our number one goal at the nonprofit is to be able to put into place, you know, a procedure where people could apply and receive these funds. Families are always looking at ways that they can give back to us and provide, but being a for-profit, it's really hard for us to take those funds.

And then also, we want to continue to help with Alzheimer's dementia research, and then hopefully bring more of our communities into this portfolio to continue to help reach more people in need.

So we are seeing, you know, younger and younger people coming in with memory care issues.

JURACEK: When your patients reach -- or your residents reach end of the life, do they get transferred to skilled care or hospice? Or do you offer hospice within the facility?

MS. JESSICA AKAAH: We do offer hospice and Medicare does cover that in our community. So we do promote that you will stay with us till end of life with hospice, and the State does allow that.

The only times they'll have to move to skilled nursing is if a family chooses for them to go on a feeding tube or some type of skilled care that we can't provide in the community. But very rarely at this point in the illness do families choose that. So I would say 99 -- 90 percent will pass away with us.

LENANE: Well, we hope this is the beginning of a fruitful and happy relationship between LaSalle Group and Memory Care and the IFA. So...

MS JESSICA AKAAH: Yes.

LENANE: This is -- we're using our multistate legislation, which I fought for three years and finally got with the help of the -- well, the director actually got it. I just kept nudging him. And I said, "We need multistate." Every -- we had to go through that --

MEISTER: It was a collective effort with Pam.

LENANE: It was. It was.

The first time we went -- a funny story: The first time we went, some legislator said, We're not financing stuff in, what, Saudi Arabia or Dubai, or somewhere. And, no, you don't get the concept here. We're in the United States. But anyway, let me go back to my --

VICE CHAIR McCOY: Yes. Appreciate it.

LENANE: -- presentation. Yes. Thank you very much.

OBERNAGEL: We got the next one, right?

LENANE: Pardon?

VICE CHAIR McCOY: Hey, George, George, you're on -- you might want to go on mute.

OBERNAGEL: Oh. Sorry about that.

VICE CHAIR McCOY: No problem.

LENANE: Okay. These 10 facilities provide 169 jobs in Illinois. The Bonds will be sold in a public offering by Cain Brothers. They'll be sold as -- in a series. The senior Bonds are expected to have a rating of S&- -- A by S&P. The B- -- A taxable Bonds -- well, they don't have a rating.

The second-tier Bonds will -- are expected to have a rating of BBB by S&P. Those will be approximately $44 million. And then we have the C Bonds, which will be -- I have the dollars -- will be nonrated, and will be sold subject to IFA's policy on sale of nonrated debt, in $100,000 denominations.

And I would just like to mention here that each series stands alone and there are no cross defaults. So if they can't pay the B Bonds, it doesn't -- the A Bonds still get paid. And had a long discussion yesterday with the Bond Council because we weren't quite understanding of that.

The manager of the property is going to be the same -- I think Lisa [sic] alluded to this -- are the same people who are managing the properties currently. The TLG Family Management, LLC, of which Warren and Mitchell are partners and others. While they have -- it looks -- they have 66 percent and then they have investors.

Who has the other part of the management company.

MS. JESSICA AKAAH: LaSalle.

LENANE: Oh, primarily. Okay. LaSalle.

Anyway, I'd like to call your attention, also, there was valuation prepared by Jones Lang LaSalle. I didn't provide it to everybody here, but we do have mention of it in the report on page -- it starts at the bottom of page 5 and goes over to page 6. They did two market value analyses. One is a -- one is with real estate taxes and the other is without, but it substantiates the fair market value that the borrower is purchasing the property at.

And -- let's see, and we can now -- we can go to the financials. As I mentioned, I think 2016 and '17, and even '18 were primarily owned by the current -- were owned and operated by the current owner. A feasibility study was prepared by Dixon Hughes, and these numbers come from the draft. They haven't finalized it yet, but the ratios starting in 2019; debt service is 1.30 with 42 days cash on hand, and then going -- going up in the following years to '22.

And these ratios, well, may look low to us. They are not as -- they're pretty much --

they're just a little bit lower than what we generally see in the CCRCs, and that's probably because -- I'm just guessing here -- probably because in the CCRC situation you had the senior living, which is paying a lot and not getting as many services. So that helps bump up to the ratio.

Wouldn't you say, Bart?

MR. BART PLANK: Yeah. I think also probably you're used to seeing an entrance fee CCRC models. So --

LENANE: That too. That too.

MR. BART PLANK: -- you have -- that relates to turnover of the entrance fees, which relies on prior entrance fees for the most part. There's some changes there. And also, you'd expect an entrance fee CCRC model to carry some significant more liquidity to be able to meet those entrance fee obligations as opposed this is a rental model, so it's a -- it's a cash flow model.

I would just add also, Pam, to the ratings, you know, this is being rated through the Standard & Poor's affordable multi-family housing model as you identify -- so it's basically a waterfall structure that A bonds get paid first, the

B bonds second, and then the management fee and the subordinate bonds are the -- essentially the third tranche, but management fees being subordinated to all -- all senior debt.

LENANE: Uh-huh. Uh-huh.

So I think -- and you anticipate that you will be exempt from real estate taxes as most CCRCs are in Illinois so --

MR. BART PLANK: As a nonprofit.

LENANE: As a nonprofit, right.

Okay. Any ques- -- I think -- any questions?

MEISTER: And just to add -- and I think Jessica touched on it, as part of that application for exemption from property tax with the Illinois Department of Revenue, I think some of the plan that Jessica highlighted as to what I'm identifying broadly as charity care for those -- those residents that run out of funds, that one of the reasons for the move to the nonprofit structure, not just for the debt, but also for the property taxes, is to allow your organization to integrate that into your business model.

MS. JESSICA AKAAH: Correct.

VICE CHAIR McCOY: Any questions?

(No response.)

VICE CHAIR McCOY: If not, then I think we can move on, please.

LENANE: Next -- which number?

VICE CHAIR McCOY: Item 4, Washington and Jane Smith Community.

LENANE: Oh, okay. Good. Good. Good. Now you can hear one of your competitors -- well, about one of your competitors. I'm looking for it in the book. It's 4? Okay.

Washington and Jane Smith Community, which does business as Smith Crossing, is located in Orland Park, in Will County. They are seeking a one-time Final Bond Resolution in the amount of $60 million. They are building a new camp- -- they have a new development on their campus, a new two-story 45,222-square-foot wing connected to the Smith Crossing 32-acre community.

The new wing will house private suites for 46 adults needing short-term rehab as well as common areas, including modern, efficient rehab, gym, et cetera, dining room.

The new wing will have a home-like

ambience which promotes the design of the entire Smith Crossing campus. All of the 46 new beds will be certified for Medicare, and half of the Smith Crossing's increased total of 40- -- increased total of 92 beds designated for rehab and skilled nursing will be duly certified for Medicare and Medicaid, giving Smith Crossing the ability to increase its support for more patients.

They're also here refunding their 2013A and B Bonds and paying a portion of the interest on that Bond. And this is a -- there are -- they currently have 224 job- -- current jobs in Illinois. They're predicting 61 new jobs as a result of this new construction and 102 construction jobs.

This will be a bank direct purchase with Compass Mortgage Corporation and First Midwest Bank, and the Bond will be -- Bonds secured by first mortgage on the property and equipment and gross revenue pledge.

The -- their debt service is strong for a -- actually, for a CCRC. They have -- currently, their unaudited 2018 show 2.67 debt service coverage and days cash on hand, 398.

But this is a well-established older

community, and Oak Lawn, there are some notes an- -- at the end of the financials that I put -- I didn't -- in the report. They're turning away 87 percent of the referrals that are coming to them, and that's why they're building this new facility, because they realize, you know, they already have the market there, developed.

Any questions?

(No response.)

VICE CHAIR McCOY: If not, thank you, Pam.

LENANE: Sure.

VICE CHAIR McCOY: I'd like to request a motion pass and adopt the following New Business items: 2, 3, and 4.

Is there such a motion?

GOETZ: So moved.

VICE CHAIR McCOY: A second?

JURACEK: Second.

VICE CHAIR McCOY: Thank you.

Will the Assistant Secretary please call the roll?

OECHSLER: Certainly. On the motion and second, I will call the roll.

OECHSLER: Mr. Goetz?

GOETZ: Yes.
OECHSLER: Ms. Juracek?
JURACEK: Yes.
OECHSLER: Mr. McCoy?
VICE CHAIR McCOY: Yes.
OECHSLER: Mr. Obernagel, on the line?
OBERNAGEL: Yes.
OECHSLER: And Mr. Zeller?
ZELLER: Yes.
OECHSLER: Committee Vice Chair McCoy, the motion carries.
VICE CHAIR McCOY: Thank you.
Is there any other business to come before the committee?
(No response.)
VICE CHAIR McCOY: Hearing none, is there any public comment for the committee?
(No response.)
VICE CHAIR McCOY: Hearing none, I would like to request a motion to adjourn.
Is there such a motion?
GOETZ: So moved.
ZELLER: Second.
VICE CHAIR McCOY: Thank you.

All those in favor?

(Chorus of ayes.)

VICE CHAIR McCOY: So the ayes have it.

That's a wrap.

OECHSLER: The time is 9:20 a.m.

(Whereupon the above matter was adjourned.)