ILLINOIS FINANCE AUTHORITY
CONDUIT FINANCE COMMITTEE MEETING

REPORT OF PROCEEDINGS had at the Conduit Financing Committee meeting of the Illinois Finance Authority held Tuesday, January 14, 2020 at 9:00 a.m., pursuant to notice at 160 North LaSalle, Chicago, Illinois.

PRESENT:

LYLE McCOY, Chairman
JAMES FUENTES
MICHAEL GOETZ
ARLENE JURACEK
BRADLEY ZELLER
ERIC ANDERBERG, ex-officio, non-voting

ALSO PRESENT:

ELIZABETH FLEMING WEBER - General Counsel
MICHAEL MOSS - Associate General Counsel, Assistant Secretary
CHRISTOPHER MEISTER, Executive Director
BRAD FLETCHER, Vice President
RICH FRAMPTON, Executive Vice President
SARA PERUGINI, Vice President, Healthcare/CCGC
LISA BONNETT, Vice President, Water Policy (via telephone)

CHAIRMAN McCOY: I'd like to call the meeting to order, and will the Assistant Secretary please call the roll.

MR. MOSS: The time is 9:00 o'clock a.m.

Mr. Fuentes?

MEMBER FUENTES: Here.

MR. MOSS: Mr. Goetz?

MEMBER GOETZ: Here.

MR. MOSS: Ms. Juracek?

MEMBER JURACEK: Here.

MR. MOSS: Mr. Zeller?

MEMBER ZELLER: Here.

MR. MOSS: Committee Chair McCoy?

CHAIRMAN McCOY: Yes.

MR. MOSS: Chair Anderberg, ex-officio non-voting?

CHAIR ANDERBERG: Here.

MR. MOSS: Committee Chair McCoy, a quorum of Committee Members has been constituted.

CHAIRMAN McCOY: Thank you very much.

Moving on to the correction and approval of minutes. Does anyone wish to make any additions, edits, or corrections to the minutes from December 10, 2019?

(No response.)

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

Is there such a motion?

MEMBER GOETZ: So moved.

MEMBER JURACEK: Second.

CHAIRMAN McCOY: Member Goetz and Member Juracek.

All those in favor.

(A chorus of ayes.)

Opposed?

(No response.)

The ayes have it.

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 are any specific New Business items that a member would like to consider separately.

MEMBER FUENTES: I would like to recuse myself from any deliberations and voting with respect to Item 7 of the New Business items because I am a Board member for the Borrower.

MEMBER GOETZ: And I would like to recuse myself from any deliberations and voting with respect to Item 3, Northwest Community Hospital, and Item 4, OSF Healthcare System, from the New Business items because I have a family member who works for the financial advisor in these transactions.

CHAIRMAN McCOY: Thank you.

I'd like to ask the staff to now present the Project Reports and Resolutions, which will be considered collectively. That will be Item 3, 4, and 7 -- oh, no, excuse me. Item 3, 4, and 7 will be considered separately at the end.

Rich.

MR. FRAMPTON: Thank you, Chairman McCoy. We will begin with Tab 1 in the Board book, which is Page 37 in the Conduit packet. It's a Preliminary Bond Resolution for Waste Management Inc. The not-to-exceed amount is $500 million.

After not seeing Waste Management in a while, this is Waste Management's second visit back to the Authority in four months. We closed a $50 million bond issue for Waste Management in

November.

The purpose of this Preliminary Bond Resolution is to establish a reimbursement date for Waste Management. That date will begin November 12 of 2019. In addition to that, previously incurred permitting and engineering expenditures relating to all their Illinois sites would also qualify for a future refinancing.

The $500 million being requested here we expect to be sufficient to cover Waste Management's needs on a tranche by tranche basis over the next 5 to 10 years. $50 million is probably a reasonable expectation for future financings.

Just based on the structure of the November financing, the expectation right now is that Waste Management would sell these bonds on an underwritten basis. Their current investment banker is BofA Securities and the bonds would be sold either on a long-term and/or a short-term basis based on Waste Management's Single A- rating and long-term and short-term A-2 rating.

Moving to the financial summary on Page 8, you can see that coverages are extremely strong, which one would expect for a corporate investment grade rated company like this. The financial strength of a for-profit corporation with these ratings is significantly stronger than a municipal or nonprofit credit with the same ratings.

The pro forma coverage shows what Waste Management's debt service would be if all $500 million were issued in a single tranche now.

To sum things up, looking forward, this provides opportunities for the Authority, and consistent with the Centerpoint deal that the Board approved in 2007, we expect these bonds to be originated over a multi-year period of the time. Lawrence Tonomura, the investment banker with Bank of America Securities, will be joining the 9:30 meeting by phone.

Does any member have any questions or comments?

CHAIRMAN McCOY: I think we're good. Thank you, Rich.

MR. FRAMPTON: Okay, thank you.

Next, we will move onto Item 2 which is a final Resolution for Roosevelt.

A few things have changed in

particular with regard to timing. The original expectation was that Roosevelt would issue the bonds after receiving regulatory approvals. Instead now, Roosevelt is planning to close on the bond issue in early February.

Preston Hollow as the investor in the bonds will be approving all the draws. So in a sense, Preston Hollow is acting as Roosevelt's bank on this financing, and even though Roosevelt will be initiating draws at the beginning of February as it is contemplated, those draws will be to cover renovation expenditures that Roosevelt has already incurred at their Schaumburg campus in connection with integrating Robert Morris's nursing program into their operations. Overall, draws approved by Preston Hollow are expected to be limited until the Higher Learning Commission approval is in place.

Additionally, the original expectation was that Roosevelt would return to the Board in February by which time Roosevelt's August 2019 audit report would be released and available for your review as well as management's financial narrative. Because that's not available now and Roosevelt has the intent of releasing an official statement at a later time, roughly six weeks after the acquisition closes, I negotiated an additional approval by this Committee and Board, which would be expected in May.

At that time, you will be presented with a Resolution that will authorize distribution of an official statement based on the post closing facts that are available and public at that time.

So this Committee and the Board will have an opportunity to review the same set of facts that the investors will have available to them at that time. So that's one concession that was negotiated.

Moving on to what has changed compared to last time. The financial statements and forecasts which begin on 2014 have been substantially revised since the meeting last month. And as I had acknowledged last month, the rigor is limited to publicly available information. I was able to extract some forecast assumptions from the Fitch Rating Report, including Roosevelt's forecast tuition increases.

On page 14, the presentation of the historical statements begins. The information on pages 14 and 15 are largely -- are the same as was presented last time, although at the bottom of page 15, I have added Roosevelt's primary covenant test, which is a liquidity test. That test is based on Roosevelt's unrestricted cash and investment balances divided by maximum annual debt service payments, which, including the proposed payments on the 2020 bonds, is just over $17 million. Based on the minimum required ratio of 150 percent, Roosevelt in their historical statements passed easily the last three years, and that liquidity covenant is Preston Hollow's primary covenant going forward.

Preston Hollow's primary concern, based on my review of the covenants, boils down to two things: No. 1, Roosevelt's ongoing liquidity; and secondly, Roosevelt's leverage as indicated. And the leverage is evaluated based on the sum of the appraised values of the four properties that are pledged by Roosevelt. The total combined value of those four appraisals totals $368.8 million; and as long as that ratio is at least 130 percent, Roosevelt is free to incur additional debt.

Based on this additional $15 million, Roosevelt meets that loan-to-value test even after the new $15 million is added.

So just in terms of other covenants, unlike most other deals that we see, there is no minimum debt service coverage covenant. But the focus of Preston Hollow is, from their perspective, liquidity and asset value are really the two keys to exiting the transaction if the University runs into a problem in the future. So the liquidity covenant test is really the proverbial canary in the coal mine test for this deal.

Just in terms of the forecast, those begin on -- the presentation of the forecast begins on page 18. Probably the most important component of the forecast are the assumptions that underlie them that are presented on pages 21 and 22.

Forecast Assumption 1 is total enrollment, and that's a critical table to look at because it tracks both Roosevelt's and Robert Morris's enrollments from fiscal '13, which is fall of 2012, all the way through fall of 2018, which is fiscal '19, and just in terms of forecast enrollments, although the rating agencies have said that Roosevelt forecasts roughly level employment, and in their public statements, Roosevelt has indicated that they believe Robert Morris's student count will remain steady, these forecasts assume a combined 5 percent decrease in enrollment from fiscal 2020 through 2022. So just based on recent historical performance, that 5 percent decline is reasonable.

In terms of tuition growth, that's reported on Page 18, and the annual tuition increases are 3 percent, except in 2020 when it's 3 and a half percent. That tuition increase is in the books and fact. Fitch has indicated annual tuition growth will be 3 to 4 percent.

Just in terms of the other forecast assumptions, on page 21, Assumption 4 reports the forecast scholarship and student aid that ends up being credited or deducted from gross tuition. What it has averaged at Roosevelt has been 28.4 percent. It has been higher at Robert Morris, 39.6 percent.

Flipping to page 22, Assumption 5 is that Roosevelt will assume all of Robert Morris's annual building lease obligations.

Assumption 6, Roosevelt will continue to incur 100 percent of Robert Morris's instructional expenses.

Assumption 7 is a real key to the deal, and it's clear that Roosevelt will need to substantially reduce other Robert Morris operating expenses. The forecast assumes a 33 to 40 percent reduction, but assumption 7 is really going to be the key driver that will determine whether this acquisition is accretive to Roosevelt and results in improved financial performance.

So this acquisition is pivotal to Roosevelt because it could help Roosevelt address their most critical need, which is driving student enrollment counts back up in a profitable way.

And one thing to remember with regard to the 2018 and 2019 financings is that that amounted to a restructuring that removed $186 million of rated 2009 and 2007 debt that potentially could have been held in retail hands, took those out of retail hands, and all $195 million that was issued, which added debt service reserves is in institutional hands.

So this financing will add about 5 percent to Roosevelt's outstanding debt. It will increase their net debt outstanding from $230- to $245 million, and with that, I will conclude my remarks.

I would note that the CFO of the University will not be able to attend this morning. A conflict has come up, but Jeff White of Columbia Capital Management, the underwriter -- I mean, the financial advisor to Roosevelt will be attending the meeting. So, again, Andrew Harris will not be available for the meeting this morning.

Does any Board member have any questions or comments?

CHAIRMAN McCOY: Rich, I want to thank you guys for the work you put into this because it's not an easy one. There were a lot of questions. I think it's a credit in an area that's going through a lot of transition. I think it is an important one within the city to be support and for the state to be supporting. The extra stuff you have been able to lever on there that we'll see the information. I think we want to be supporting. They have changed management. They're following through on their strategic goals, still in the middle of doing it. I think when you look who the purchaser is in Preston Hollow, they're an institutional client who knows what they're doing and structuring it that way.

So there is still some unanswered questions and we're making some assumptions here, but I think they're reasonable assumptions, and, you know, we're there to support them as they go through this. So thank you.

MR. FRAMPTON: You're welcome.

CHAIRMAN McCOY: Now, Item 5.

MR. FLETCHER: That's me.

Next in your Board books and on today's agenda is Tab 5 on behalf of North American Spine Society.

As a 501(c)(3) entity, the Society is dedicated to fostering spine-based character, education, research, and advocacy.

The Society issued its bond through IFA in 2014 in order to convert debt first incurred in 2007 from a letter of credit structure to a bank direct purchase structure with BMO Harris Bank.

The Borrower and BMO agreed at the time to a variable rate of interest based on LIBOR for an initial term of 7 years otherwise ending February 26, 2021 with a final maturity date of December 1, 2031.

At this time, the Borrower and the

Bank have agreed to convert the series 2014 bond from the variable rate index rate to a fixed long-term rate and contemporaneously extend their banking relationship approximately 9 years and 6 months to July 1, 2029.

As of January 1st, approximately $5.5 million was outstanding.

The Authority is being asked for our consent, and approval of this Resolution will authorize the execution and delivery of the amended documents.

Are there any questions?

CHAIRMAN McCOY: No. We're good. Thank you.

MR. FLETCHER: Next is Tab 6.

Tab 6 in your Board books is a Bond Resolution on behalf of British Home for Retired Men and Women.

As a 501(C)(3) entity currently doing business as Cantata Adult Life Services, based in Brookfield. They provide rehabilitatory services for various senior citizens.

British Home issued its bond through IFA in 2011 in order to convert debt first incurred in 2001 from a letter of credit structure to a bank direct purchase structure as well as refinance some taxable debt, all with First Midwest Bank.

The Borrower and First Midwest agreed at the time to a fixed rate of interest for an initial term of ten years otherwise ending December 1, 2021 with a final maturity date of December 1, 2031.

At this time, the Borrower and the Bank have agreed to decrease the effective interest rate on the bond and extend their banking relationship approximately 9 years.

As of January 1, approximately $4.6 million is outstanding.

Again, we are being asked for our consent, and approval of the Resolution will authorize execution and delivery of the amended bond documents.

Are there any questions?

CHAIRMAN McCOY: Thanks, Brad.

I'd like to a request a motion to recommend for approval the following New Business items: 1, 2, 5, and 6.

Is there such a motion?

MEMBER FUENTES: So moved.
MEMBER GOETZ: Second.
CHAIRMAN McCOY: Member Fuentes, seconded by Member Goetz.
Will the Assistant Secretary please call the roll.
MR. MOSS: On the motion and second, I will call the roll.
Member Fuentes?
MEMBER FUENTES: Yes.
MR. MOSS: Mr. Goetz?
MEMBER GOETZ: Yes.
MR. MOSS: Ms. Juracek?
MEMBER JURACEK: Yes.
MR. MOSS: Mr. Zeller?
MEMBER ZELLER: Yes.
MR. MOSS: Committee Chair McCoy?
CHAIRMAN McCOY: Yes.
MR. MOSS: Committee Chair McCoy, the motion carries.
CHAIRMAN McCOY: Thank you very much.
Sara, before you present items 3 and 4, I would like to ask Member Goetz to exit the room.

(Exit Member Goetz.)

MR. MOSS: Let the record reflect that Member Goetz has recused himself from the deliberations by exiting the room.

MS. PERUGINI: Item No. 3 in your Board book is a Memo and Resolution for Northwest Community Hospital with respect to amendments that they would like to make relating to its Series 2018B bonds, 2018C Bonds, and Series 2011 bonds, all issued previously by the IFA and their accompanying documents.

The Hospital desires to take advantage of the favorable market conditions and convert the bonds to bear interest at fixed rates. To accomplish the conversion, the bonds will be tendered and purchased by JP Morgan Chase Bank or an affiliate.

In connection with the conversion, certain amendments will be made to the bond documents, including a new Event of Default provision to bring the bonds in compliance with the IFA's non-rated bonds policy and provisions allowing the Executive Director to execute the bonds as new bonds will be executed and delivered.

The underlying Resolution authorizes such amendments. The amendments will also be consented to by the purchaser, and bond counsel will provide an opinion that the conversion and amendments will not adversely affect the tax-exempt status of the bonds.

Does anyone have any questions or comments?

(No response.)

Thank you.

Item No. 4 in your Board book is a Memo and Resolution for OSF Healthcare System in connection with its acquisition of Little Company of Mary Hospital and Healthcare Centers.

The IFA has previously issued three series of bonds for the benefit of Little Company, Series 2008A, Series 2008B, and Series 2015.

Little Company and OSF entered into an affiliation agreement under the terms of which Little Company will merge into OSF on or about February 1, 2020.

At that time, the master trust indenture relating to Little Company will be terminated and the obligations thereunder securing the bonds will be cancelled in exchange for notes issued pursuant to the OSF master trust indenture.

OSF and Little Company have requested that the IFA execute supplements and amendments to documents relating to the bonds and certain other documents, waivers, consents, or approvals necessary in connection with the merger and note exchange.

The 2008 bonds are secured by letters of credit issued by Barclays, and the terms of such bond trust indentures permit Barclays to consent to the amendments relating to those bonds, and the 2015 bonds were privately placed and are currently owned by DNT Asset Trust, and DNT Asset Trust has the authority to consent to such amendments relating to the bonds.

The merger and note exchange will not be completed until the requisite consents have been obtained, and Chapman and Cutler is expected to provide an opinion that the merger and note exchange will not adversely affect the tax-exempt status of the bonds.

Does anyone have any questions or comments?

(No response.)

CHAIRMAN McCOY: That's good. Thank you.

I'd like to request a motion to recommend for approval the following New Business items: 3 and 4.

Is there such a motion?

MEMBER ZELLER: So moved.

MEMBER JURACEK: Second.

CHAIRMAN McCOY: Moved by Member Zeller, seconded by Member Juracek.

MR. MOSS: On the motion and second, I will call the roll.

Mr. Fuentes?

MEMBER FUENTES: Yes.

MR. MOSS: Ms. Juracek?

MEMBER JURACEK: Yes.

MR. MOSS: Mr. Zeller?

MEMBER ZELLER: Yes.

MR. MOSS: Committee Chair McCoy?

CHAIRMAN McCOY: Yes.

MR. MOSS: Committee Chair McCoy, the motion carries.

CHAIRMAN McCOY: Thank you.

Brad, we're on to you, but before you present Item 7, I'd like to ask Member Fuentes to exit the room and Member Goetz to return.

(Exit Member Fuentes.)

(Enter Member Goetz.)

MR. MOSS: Let the record reflect that Member Fuentes has recused himself from the deliberations by exiting the room, and Member Goetz has returned to the deliberations and voting.

MR. FLETCHER: Thank you.

Tab 7 in your Board books is a Bond Resolution on behalf of the Museum of Science and Industry.

The Museum issued its bond through IFA in 2017 in order to convert debt first incurred in 2009 from a letter of credit structure to a bank direct purchase structure with both PNC and BMO Harris Bank.

PNC Bank purchased the Series 2017A bond for $35 million, and BMO Harris Bank purchased the Series 2017B Bond for $25 million.

At this time, the Borrower -- excuse me -- at that time, the Borrower and each bank agreed to a variable rate of interest based on LIBOR for an initial term of approximately 7 years otherwise ending May 1st, 2024 with a final maturity date of December 1, 2039, for each series of bonds.

Now, the Borrower and each bank have agreed to decrease the effective interest rates on both series of bonds and the collective outstanding principal amount as of January 1 is approximately $55 million.

Contemporaneously with the decrease in the interest rate, BMO Harris Bank will also be further assigning the Series 2017B bond to its affiliate BMO Harris Investment Company LLC.

The Authority is simply being asked for our consent, and approval of this Resolution will authorize execution and delivery of the amended bond documents.

Are there any questions?

(No response.)

CHAIRMAN McCOY: I would like to request a motion to recommend for approval the following New Business item: No. 7.

Is there such a motion?

MEMBER GOETZ: So moved.

MEMBER ZELLER: Second.

CHAIRMAN McCOY: Thank you. Member Goetz, seconded by Member Zeller.

MR. MOSS: On the motion and second, I will call the roll.

Mr. Goetz?

MEMBER GOETZ: Yes.

MR. MOSS: Ms. Juracek?

MEMBER JURACEK: Yes.

MR. MOSS: Mr. Zeller?

MEMBER ZELLER: Yes.

MR. MOSS: Committee Chair McCoy?

CHAIRMAN McCOY: Yes.

MR. MOSS: Committee Chair McCoy, the motion carries.

CHAIRMAN McCOY: Moving on, is there any other business to come before the Committee?

(No response.)

Hearing none, is there any public comment from the Committee?

(No response.)

Again hearing none, I would like to request a motion to adjourn. Is there such a motion?

MEMBER GOETZ: So moved.

MEMBER JURACEK: Second.

CHAIRMAN McCOY: Member Goetz, seconded

by Member Juracek.

All those in favor?

(A chorus of ayes.)

Opposed?

(No response.)

The ayes have it.

MR. FLETCHER: Time is 9:28 a.m.

(WHEREUPON, which were all the proceedings had in the above entitled cause.)

REPORTER CERTIFICATION

I, JO ANN LOSOYA, a Certified Shorthand Reporter of the State of Illinois, do hereby certify that I reported in shorthand the proceedings had at the meeting aforesaid, and that the foregoing is a true, complete and correct transcript of the proceedings of said meeting as appears from my stenographic notes so taken and transcribed under my personal direction.

IN WITNESS WHEREOF, I do hereunto set my hand at Chicago, Illinois, this February 5, 2020.

Jo Ann Losoya

JO ANN LOSOYA
C.S.R. No. 084-002437