

1 ILLINOIS FINANCE AUTHORITY  
2 SPECIAL MEETING OF THE TAX-EXEMPT  
3 CONDUIT TRANSACTIONS COMMITTEE MEMBERS  
4 May 8, 2018, at 9:05 a.m.

5  
6 REPORT OF PROCEEDINGS had at the Special  
7 Meeting of the Tax-Exempt Conduit Transactions  
8 Committee on May 8, 2018, at the hour of 9:00 a.m.,  
9 pursuant to notice, at 160 North LaSalle Street,  
10 Suite S-1000, Chicago, Illinois.

11 APPEARANCES:

12 ILLINOIS FINANCE AUTHORITY  
13 TAX-EXEMPT CONDUIT TRANSACTIONS COMMITTEE MEMBERS

14 COMMITTEE CHAIRMAN ROBERT HORNE

15 MR. JAMES J. FUENTES

16 MR. MICHAEL W. GOETZ

17 MS. ARLENE A. JURACEK

18 MR. E. LYLE McCOY

19 MR. GEORGE OBERNAGEL

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

21 MR. ERIC R. ANDERBERG, Ex-Officio/Non-Voting

22 ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

23 MR. CHRISTOPHER B. MEISTER, IFA Executive Director

24 MR. RICH FRAMPTON, Vice President

MS. PAMELA LENANE, Vice President

MS. ELIZABETH WEBER, IFA General Counsel

MR. RYAN OECHSLER, IFA Associate General Counsel

MR. PATRICK EVANS, Agricultural Banker (via  
audio conference)

1 CHAIRMAN HORNE: I'd like to call the meeting  
2 to order.

3 Will the Assistant Secretary please  
4 call the roll?

5 OECHSLER: Certainly. The time is now 9:17  
6 a.m.

7 Mr. Fuentes?

8 FUENTES: Here.

9 OECHSLER: Mr. Goetz?

10 GOETZ: Here.

11 OECHSLER: Committee Chairman Horne?

12 CHAIRMAN HORNE: Here.

13 OECHSLER: Ms. Juracek?

14 JURACEK: Here.

15 OECHSLER: Mr. McCoy?

16 McCOY: Here.

17 OECHSLER: Mr. Obernagel?

18 OBERNAGEL: Here.

19 OECHSLER: Mr. Zeller via audio conference?

20 ZELLER: Present.

21 OECHSLER: And Chair Anderberg,

22 ex-officio/non-voting?

23 ANDERBERG: Here.

24

1           OECHSLER: Mr. Committee Chairman, a quorum of  
2 Committee Members has been constituted.

3           CHAIRMAN HORNE: Great. Thank you.

4                   Does anyone wish to make any  
5 additions, edits or corrections to the Minutes from  
6 the April 10th, 2018, meeting.

7                   (No response.)

8           CHAIRMAN HORNE: Hearing none, I'd like to  
9 request a motion to approve the Minutes.

10                   Is there such a motion?

11           OBERNAGEL: I'll make a motion, Mr. Chairman.

12           CHAIRMAN HORNE: Thank you.

13                   Is there a second?

14           FUENTES: Second.

15           CHAIRMAN HORNE: All those in favor?

16                   (Chorus of ayes.)

17           CHAIRMAN HORNE: Opposed?

18                   (No response.)

19           CHAIRMAN HORNE: The ayes have it.

20                   So I'd like to ask the general consent  
21 of the Members to consider each of the New Business  
22 Items collectively and to have the subsequent  
23 recorded voted applied to each respective, individual  
24 item, unless there are any specific New Business

1 items that a Member would like to consider  
2 separately.

3 Is there anyone that needs to recuse?

4 I don't believe so.

5 (No response.)

6 CHAIRMAN HORNE: No? So hearing none, I'd like  
7 to ask Mr. Evans via audio conference to take us  
8 through some of his projects.

9 EVANS: Thanks.

10 Today, we have four Beginning Farmer  
11 Bonds. Each bank will have first mortgage lien  
12 position on their Beginning Farmer Bond.

13 Item A1, Ben Boehne. This is a  
14 one-time Final Bond Resolution requesting approval  
15 for Beginning Farmer Bond for Ben Boehne, who's  
16 purchasing 80 acres of farmland located in Washington  
17 County, in the not-to-exceed amount of \$280,000,  
18 which is 50 percent of the purchase price. Farmers  
19 State Bank of Hoffman is the purchasing bank for this  
20 conduit transaction.

21 Item 1B is Tanner J. Radke. This is a  
22 one-time final resolution request for approval for a  
23 Beginning Farmer Bond for Tanner J. Radke, who's  
24 purchasing 80 acres of ground located in Jasper

1 County, in the not-to-exceed amount of \$228,480,  
2 which is 50 percent of the purchase price. The  
3 Peoples State Bank of Newton is the purchasing bank  
4 for this conduit transaction.

5 The third item, No. 1C, is Levi and  
6 Libby Collins. This is a one-time Final Bond  
7 Resolution requesting approval for Beginning Farmer  
8 Bond for Levi and Libby Collins, who's purchasing 80  
9 acres of farmland in Jasper County, in the  
10 not-to-exceed amount of \$224,400, which is 50 percent  
11 of the purchase price.

12 The final Item, No. 1D, Justin K.  
13 Kellerman, this is a one-time Final Bond Resolution  
14 requesting approval for a Beginning Farmer Bond for  
15 Justin K. Kellerman who is purchasing 18 acres of  
16 farmland located in Prairie County in the  
17 not-to-exceed amount of \$74,700, which is 100 percent  
18 of the purchase price. Farmers Merchants Bank &  
19 Trust is the purchasing bank for this conduit  
20 transaction.

21 Does any members have any questions or  
22 wish to make any statements?

23 (No response.)

24 EVANS: If not, I'll pass it back to you,

1 Chairman.

2 CHAIRMAN HORNE: Great. Thank you, Patrick.

3 So I think we'll move to our next  
4 items on the Agenda.

5 FRAMPTON: Okay. Next, we'll be moving to  
6 Tab 3 in the Agenda. It's a resolution for Carmel  
7 Catholic High School. Carmel Catholic High School  
8 and their bank, which is Lake Forest Bank & Trust,  
9 which is part of Wintrust Financial, are requesting a  
10 resolution to do two things: First of all, to extend  
11 the initial index put -- the initial interest rate  
12 period by 6 months to 12, to December 1, 2027.

13 The second thing that they'll be  
14 requesting is a waiver. As a result of the January 1  
15 Corporate Tax Change, what this will do is waive the  
16 increase that would otherwise be applicable.

17 Because of that waiver and the change  
18 in interest rate, this will be deemed a reissuance  
19 for tax purposes, and as a result, they are going to  
20 be reissuing the Series 2012 Bonds as a result. So  
21 this change is being driven by the January 1st change  
22 in the corporate tax rates, which would otherwise  
23 lead to an adjustment in the interest rate borne on  
24 the Bonds.

1                   So in order to keep the rate where it  
2 is, they actually have to reissue the Bonds.

3                   Any questions or comments?

4           CHAIRMAN HORNE: I just think it's interesting  
5 that the corporate tax rate is affecting a nonprofit  
6 high school. I just never thought about it in that  
7 context.

8           FRAMPTON: So because the tax shield for the  
9 bank is changing from 65 percent, effectively, to  
10 81 --

11          CHAIRMAN HORNE: Right.

12          FRAMPTON: -- it's being reduced, That -- they  
13 need to -- on most deals that are structured with  
14 that index, there would be an automatic rate  
15 adjustment.

16          CHAIRMAN HORNE: So does that mean we're going  
17 to see a lot of those coming through because of that  
18 a change?

19          FRAMPTON: It depends on how the -- it depends  
20 on how Bond Counsel and the bank actually drafted  
21 the --

22          CHAIRMAN HORNE: The original.

23          FRAMPTON: -- deal.

24                   That is exactly right. And in this

1 case they needed to change it. So we may see some --  
2 some of these change.

3 CHAIRMAN HORNE: Okay.

4 FRAMPTON: And just for the record, page 5  
5 notes the fee.

6 CHAIRMAN HORNE: Yeah.

7 Okay.

8 FRAMPTON: Okay. Moving on next to Tab 6,  
9 Chicago Symphony Orchestra. Northern Trust is their  
10 existing bank. This has been a letter of credit  
11 enhanced seven-day floater transaction since 1994  
12 reflecting Basel III.

13 The letter of credit banks are having  
14 to increase their reserves on -- on off-balance sheet  
15 risks like letters of credit. Accordingly they're  
16 becoming less economical, and so what the Northern is  
17 proposing to do with this resolution and financing is  
18 take their letter of credit transaction and  
19 restructure it and reissue the bonds as a bank direct  
20 purchase.

21 And although the Bond Resolution  
22 provides for a -- potentially for an extension of  
23 maturity date, that is not what's going to happen.  
24 The 15 years in the resolution has been included for



1 parameters purposes. Similarly, the \$50 million  
2 not-to-exceed amount, that exceeds what will actually  
3 be reissued here.

4 On the 1st of May the Symphony repaid  
5 \$3.9 million of bonds. They deallocated part of  
6 their project; they're selling it off for a different  
7 use. So those bonds were repaid on 5/1. So this  
8 will be a reissuance, \$46.1 million, it's set to  
9 close on June the 1st. On the very last page, page  
10 12, the fee that will be paid on 12/1 is noted.

11 Any questions?

12 (No response.)

13 FRAMPTON: Okay. If not, we'll move on next to  
14 Tab 5, which is a amendatory resolution for Cantigny  
15 Foundation. We closed the Cantigny Foundation Bonds  
16 on December the 27th. These were issued as drawdown  
17 bonds to build out a series of projects over an  
18 anticipated six-year period. On the date of closing,  
19 Cantigny drew down \$105,000 to cover some of the  
20 costs of -- costs of issuance. MB and Cantigny are  
21 requesting this resolution to amend the interest rate  
22 computation formula to simplify it with the intent of  
23 there being no material change in the interest rate.

24 The underlying interest rate is only

1 going to change by a basis point or two. But on top  
2 of that, at the moment, they only have \$105,000  
3 outstanding.

4 So given the fact they paid the  
5 Authority a significant fee in December, this  
6 particular deal got caught up in some of the  
7 tax-reform related confusion as well because there  
8 was, under the original HB 1, drawdown bonds were  
9 going to be eliminated. So they -- so this financing  
10 had -- had more due diligence questions than most to  
11 cover in advance of their closing.

12 So that's the story on Cantigny. As a  
13 courtesy, both to the borrower, and as a relationship  
14 management issue with MB Financial Bank, we're -- we  
15 are not charging a fee on this.

16 Any questions or comments?

17 (No response.)

18 FRAMPTON: Okay. Next, we'll move on to Tab 6,  
19 which is a resolution for Cinnamon Lake Towers. This  
20 is a very deep tax related issue that's in play on  
21 this particular deal.

22 The Cinnamon Lake Towers Project was a  
23 project that IDFA issued bonds for back in 1997. The  
24 project is being purchased by a new entity. As a

1 result, the IDFA Series 1997 Bonds will be paid off.

2           However, if you look at the top of  
3 page 2, the IRS, under Section 142(d) of the Code,  
4 imposes three requirements on any bond finance  
5 transaction. And those are -- there's what is called  
6 a qualified project period under which there has to  
7 be a land use restriction agreement in place. That  
8 land use restriction agreement has to be -- must  
9 remain in place until the latter of the three stated  
10 events is no longer in effect.

11           The Cinnamon Lake Towers Project is  
12 one of the few IDFA or IFA financed projects where  
13 there has been a Section 8 housing assistance payment  
14 contract in effect. And, in fact, on the units at  
15 Cinnamon Lakes, 115 out of the 274 are covered by a  
16 HAP contract. And these HAP contracts are different  
17 from the HUD Housing Choice vouchers in that what HUD  
18 does on these is for every HU- -- for the 115 HUD  
19 contract units, HUD makes a payment that equals the  
20 difference between the HUD-allowed rent and 30  
21 percent of tenant's income, monthly income. So  
22 whatever the net difference is, HUD cuts a check to  
23 the developer.

24           But these Section 8 HAP-based

1 contracts for project developments really have not  
2 been in play. We haven't seen these on a new project  
3 since '97 or '98. And the Cinnamon Lake Project was  
4 constructed in 1980, when those HAP contracts were  
5 much more prevalent. But with the new acquisition  
6 financing, which is going to be provided to a new  
7 developer by the Upper Illinois River Valley  
8 Development Authority, there will be a duplicate of  
9 land use restriction agreement that will go into  
10 effect. But given the fact that the HAP contracts on  
11 our '97 Bonds continue, the IDFA/IFA land use  
12 restriction agreement lives on.

13           We will -- what the resolution does  
14 is, first of all, it will authorize execution of a  
15 new second amended regulatory agreement under which  
16 we consent to the sale of the property to the new  
17 owner, and the assumption by the new owner of all the  
18 indemnities that IFA normally receives whenever we  
19 issue bonds. On top that, of course, the developer  
20 will be providing the same indemnities to the new  
21 issuer as well as signing a new duplicative  
22 regulatory agreement.

23           So the regulatory agreement lives on,  
24 but the new owner will be assuming Lake Towers

1 Partners -- Lake Towers Partners 2's ownersh- --  
2 their responsibility under the existing regulatory  
3 agreement. So the regulatory agreement lives on.

4 This is probably -- I would be  
5 surprised if the Authority has in its portfolio, more  
6 than one, two at the most, of these transactions  
7 where there's a HAP contract on it.

8 With most of these, the -- in terms of  
9 the page 2 conditions, Conditions 1 and 2 are the  
10 operative factors, and then the regulatory agreement  
11 generally goes away. We had one just last month  
12 where the project was being sold, but it -- but  
13 Condition 1 isn't met yet. It's 14 years after the  
14 issuance of our 2004 Bonds.

15 So in exchange to -- in exchange  
16 for -- in consideration of the work that we undertake  
17 and the fact that we will still continue as a party  
18 to this regulatory agreement, even though it's  
19 duplicative to a new one -- with a new issuer who  
20 actually has bonds outstanding, we are -- we are --  
21 we will be negotiating for payment of a fee that's  
22 described on page 6. So we will be getting paid a  
23 fee on this.

24 The only other point I need to make is

1 this question was raised not too many days before the  
2 Board Book went out, so that's why we haven't  
3 negotiated the fee prior to the meeting.

4 CHAIRMAN HORNE: It sounds like the lawyers  
5 made a lot of these.

6 FRAMPTON: Yes.

7 CHAIRMAN HORNE: Understanding these documents.

8 FRAMPTON: That's absolutely true.

9 GOETZ: Has HAP agreed to extend the HAP  
10 contract to the new entity -- new owner --

11 FRAMPTON: Yes. And --

12 GOETZ: -- for 20 -- for 20 years?

13 FRAMPTON: The existing contracts expire in  
14 2020.

15 GOETZ: Okay. We usually can get them to  
16 extend them 20 years on top of that. So...

17 MEISTER: Rich?

18 FRAMPTON: But, you know -- Mike brings up a  
19 good point. Ordinarily, these Section 8 contracts  
20 have been extended routinely, and we could almost  
21 expect these to be extended in -- perhaps in  
22 perpetuity.

23 GOETZ: Hopefully. Yeah. To somebody -- I  
24 have four HAP contracts on properties that I own,

1 and, you know, they're guaranteed money, so yeah.

2 FRAMPTON: Okay.

3 MEISTER: Rich, how come they're going to  
4 another issuer?

5 FRAMPTON: Well, that had to do with, partly,  
6 with -- with IHDA and the Section 42 credits. I've  
7 worked with this developer, Dennis Egidi since 1992.  
8 I think I've probably worked on eight financings with  
9 Dennis and his -- and his group. We have a very good  
10 relationship with -- with Dennis and Dennis's team.

11 CHAIRMAN HORNE: Sounds like a lot of  
12 navigating for a transfer.

13 FRAMPTON: Indeed.

14 CHAIRMAN HORNE: Okay. Well, thank you for  
15 that.

16 We have one more item, and that's  
17 Riverside Health -- is there any other questions then  
18 on that last item?

19 (No response.)

20 CHAIRMAN HORNE: So, Pam do you want to --

21 LENANE: I'll try to do it in a minute here.

22 CHAIRMAN HORNE: No. Take your -- we're fine.

23 LENANE: Well, no. It's noth- -- it's just a  
24 administra- -- ministerial.

1 Riverside Health System is requesting  
2 the Authority to enter into a First Supplemental Bond  
3 Trust Indenture to their Series 2015 bonds to -- so  
4 that they can modify the method of calculating the  
5 private placement floating rate period rate for each  
6 private placement period. And also, they may modify  
7 the term-out provisions, and also be entering into an  
8 amendment to their continuing covenant agreement to  
9 make certain changes to the repayment provisions for  
10 the 2015 Bonds.

11 CHAIRMAN HORNE: Okay.

12 LENANE: And Mike, you're okay.

13 GOETZ: Okay.

14 LENANE: Kauffman Hall isn't on this.

15 CHAIRMAN HORNE: Are there any questions on any  
16 of these items?

17 (No response.)

18 CHAIRMAN HORNE: Hearing none, I'd like to  
19 request a motion pass and adopt the following New  
20 Business Items: Items 1A, 1B, 1C, 1D, 2, 3, 4, 5, and  
21 6.

22 Is there such a motion?

23 GOETZ: So moved.

24 CHAIRMAN HORNE: Second?



1 FUENTES: Second.

2 CHAIRMAN HORNE: Great. Will the Assistant

3 Secretary please take the roll?

4 OECHSLER: Certainly.

5 On the motion and second, I will call

6 the roll.

7 Mr. Fuentes?

8 FUENTES: Yes.

9 OECHSLER: Mr. Goetz?

10 GOETZ: Yes.

11 OECHSLER: Committee Chairman Horne?

12 CHAIRMAN HORNE: Yes.

13 OECHSLER: Ms. Juracek?

14 JURACEK: Yes.

15 OECHSLER: Mr. McCoy?

16 McCOY: Yes.

17 OECHSLER: Mr. Obernagel?

18 OBERNAGEL: Yes.

19 OECHSLER: Mr. Zeller?

20 ZELLER: Yes.

21 OECHSLER: Mr. Committee Chairman, the motion

22 carries.

23 CHAIRMAN HORNE: Thank you.

24 Is there any other business to come

1 before this committee?

2 (No response.)

3 CHAIRMAN HORNE: Hearing none, I'd ask -- is  
4 there any public comment about it?

5 (No response.)

6 CHAIRMAN HORNE: Hearing none, is there a  
7 motion to adjourn the meeting?

8 McCOY: So moved.

9 FUENTES: Second.

10 CHAIRMAN HORNE: All those in favor?

11 (Chorus of ayes.)

12 CHAIRMAN HORNE: Opposed?

13 (No response.)

14 CHAIRMAN HORNE: The ayes have it.

15 OECHSLER: The time is 9:40 a.m.

16 (Whereupon the matter  
17 above was adjourned.)

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1 STATE OF ILLINOIS. )

) SS:

2 COUNTY OF COOK )

3 Brad Benjamin, being first duly sworn on oath,  
4 says that he is a Certified Shorthand Reporter, that  
5 he reported in shorthand the proceedings given at the  
6 taking of said hearing, and that the foregoing is a  
7 true and correct transcript of his shorthand notes so  
8 taken as aforesaid and contains all the proceedings  
9 given at said Illinois Finance Authority Meeting.

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Certified Shorthand Reporter

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No. 084-004805

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