

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

4 June 12, 2018, at 8:29 a.m.  
5

6 REPORT OF PROCEEDINGS had at the Special  
7 Meeting of the Direct and Alternative Financing  
8 Committee on June 12, 2018, at the hour of 8:30 a.m.,  
9 pursuant to notice, at 160 North LaSalle Street,  
10 Suite S-1000, Chicago, Illinois.

11 APPEARANCES:

12 ILLINOIS FINANCE AUTHORITY  
13 DIRECT AND ALTERNATIVE FINANCING COMMITTEE MEMBERS

14 COMMITTEE CHAIRMAN LERRY KNOX (via audio  
15 conference)

16 MS. ARLENE A. JURACEK

17 MR. ROGER POOLE

18 MR. E. LYLE McCOY

19 MR. BRADLEY R. ZELLER

20 ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

21 MR. CHRISTOPHER B. MEISTER, IFA Executive Director

22 MR. BRAD FLETCHER, IFA Assistant Vice-President

23 MS. ELIZABETH WEBER, IFA General Counsel

24 MR. RYAN OECHSLER, IFA Associate General Counsel

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

MR. PATRICK EVANS, IFA Agricultural/Rural  
Development Financial Analyst (via audio  
conference)

1 CHAIRMAN POOLE: I'll call the meeting to  
2 order. I'm going to chair and -- I'm taking over the  
3 chair from Chairman Knox who is not here, but will be  
4 on the audio conference.

5 Will the Assistant Secretary please  
6 call the roll?

7 GRANDA: Good morning.

8 OECHSLER: Certainly.

9 The time is 8:29 a.m.

10 OECHSLER: Ms. Juracek?

11 JURACEK: Here.

12 OECHSLER: Mr. McCoy?

13 McCOY: Here.

14 OECHSLER: Mr. Poole?

15 POOLE: Here.

16 OECHSLER: And Mr. Zeller?

17 ZELLER: Here.

18 OECHSLER: Member Poole, a quorum of Committee  
19 Members has been constituted. And just to note for  
20 the record, I do not believe that Chairman that Knox  
21 will be joining us today.

22 POOLE: Oh, okay.

23 OECHSLER: Committee Chairman Knox.

24 Hi. Did somebody joined the line?

1           EVANS: Yeah. It's Patrick Evans.

2           OECHSLER: Hi, Pat.

3           CHAIRMAN KNOX: Patrick, this is Lerry Knox,  
4           too.

5           POOLE: There he is.

6           OECHSLER: Hi, Lerry.

7           POOLE: Mr. Committee Chairman, a quorum of the  
8           Committee Members has been constituted.

9           CHAIRMAN KNOX: So we have a quorum. Am I  
10          serving as Chairman or is someone stepping in  
11          assisting me?

12          MEISTER: Mr. Poole is stepping in.

13          CHAIRMAN KNOX: All right. Perfect.

14          POOLE: Good morning, Lerry.

15                    The order will be to do the Review and  
16          Adoption of the Direct and Alternative Financing  
17          Committee's Meeting Minutes from May 8th, 2018.

18                    Does anyone wish to make any  
19          additions, edits, or corrections to the Minutes of  
20          the May 8th meeting?

21                    (No response.)

22          POOLE: Hearing none, I would request a motion  
23          to approve.

24          JURACEK: So moved.

1           ZELLER:  Second.

2           POOLE:  Moved and seconded.

3                    All those in favor?

4                    (Chorus of ayes.)

5           POOLE:  Ayes.

6                    Opposed?

7                    (No response.)

8           POOLE:  The ayes have it.  So ordered.

9                    I guess you're collecting the sig- --

10           who's doing it?  Okay.  Cool.

11                   No.  3:  Presentation and Consideration

12           of New Business.  Chairman Knox, I am -- Chairman

13           Poole's going to do that.

14                    I'd like to ask for the general

15           consent of the Members to consider each of the New

16           Business Items collectively and to have the

17           subsequent recorded vote applied to each respective,

18           individual item, unless there are any specific New

19           Business items that a Member would like to consider

20           separately.

21                    Is there a need for anyone to recuse?

22           Abstain?

23                    (No response.)

24           POOLE:  Hearing none, we'll move on.  Direct

1 and Alternative Financing New Business:

2 Mr. Luboff, Item No. 1: J&L Food  
3 Services, Inc. [sic]; Venue West, LLC.

4 You have the floor, sir.

5 LUBOFF: Thank you, sir.

6 This is a request for participation of  
7 \$232,500 dollars for J&L Food Services, Inc., which  
8 is an operating company, and Venue West, LLC, which  
9 is a passive real estate holder on behalf of J&L Food  
10 Services, Inc. This was bought to us by our largest  
11 bank participant, MB Financial Bank.

12 The company is looking to finance part  
13 of the build-out of newly leased space for J&L Food  
14 Services, Inc., and Venue West -- I will be referring  
15 to them as "co-borrowers" -- at 221 North Paulina  
16 Street, Chicago. It's in the near west area.

17 The company is taking advantage of an  
18 opportunity to relocate the center of their  
19 operations to a location that will enable them to  
20 continue their existing operations, which have been  
21 ongoing for 30 years; to expand their wholesale food  
22 distribution business; and additionally, to market  
23 their own venue as a base for them to host events  
24 that incorporate their well-known special event and

1 catering services.

2           The Authority will be required to  
3 subordinate its \$232,500 participation to the total  
4 exposure of MB Financial Bank of \$432,500. However,  
5 there is a \$425,000 loan from American Express that  
6 will be subordinated to us.

7           Currently, the company has 51  
8 employees; although, that balloons up to 85 when  
9 there are special events. In terms of job creation  
10 over the next two years, they're very confident  
11 they'll have 20 new jobs. They actually project 30  
12 to 40.

13           J&L is a well-known special event  
14 planner and corporate event caterer that until now  
15 has provided its services at third-party venues.  
16 This new facility will enable them to hold events at  
17 their own location giving them better control and  
18 also more revenue.

19           We will be supported by a  
20 first-priority lien on all the business assets of the  
21 borrowers, which in a liquidation, to be honest, will  
22 not have very substantial impact. But we will also  
23 the unlimited joint several personal guarantees of  
24 the two owners, which are quite substantial and able

1 to handle this entire obligation.

2 All facilities will be  
3 cross-collateralized across defaulting. There will  
4 initially be a six-month draw period that will be  
5 financed solely by MB Financial Bank. We'll have no  
6 role in that at all. And then once the loan -- that  
7 loan has been turned out, we will participate in a  
8 four-year fully amortizing loan. We will getting our  
9 money back in four years.

10 The Authority will be receiving an  
11 interest rate currently of 4.95, but of course with  
12 the new decision tomorrow by the Fed, I expect that  
13 to be another 25 basis points higher.

14 As you can see from the sources and  
15 uses, the total amount of the project is \$1,090,000.  
16 What's there is a \$425,000 American Express loan that  
17 will be subordinated to us.

18 By the way, the interest rate will be  
19 fixed. The -- we expect that they'll start the  
20 renovation of the facility in June, very shortly, and  
21 we will be asked for our money probably in December.

22 J&L had been operating for about 30  
23 years as a custom and corporate caterer, a special  
24 event planner handling the usual special events:

1 bar-mitzvahs, weddings, annual galas, and various  
2 corporate financing fundraising and special events.  
3 They are a consistent provider for Northwestern  
4 University, Mars Wrigley, Bright Star Community  
5 Outreach, the Museum of Science and Industry, and Big  
6 Brothers and Sisters.

7 MB Financial Bank has pursued this  
8 particular opportunity as an effort to target credit  
9 worthy clients that are owned and an operated by the  
10 LGBTQI community.

11 This location in the West Loop,  
12 luckily, has also been a venue for catering events in  
13 the past, but the previous owners -- or the previous  
14 management of a company called Venue 1, mismanaged  
15 the event, did not have their own facilities or at  
16 least of the reputation of J&L. And so when they  
17 vacated that facility, all of the furniture and  
18 fixtures and decorations, all accrued to J&L's  
19 ownership.

20 They are rebranding the space as Venue  
21 West. The owners are confident that they will  
22 dramatically increase their revenue because now,  
23 instead of just providing catering services at  
24 third-party locations, they will have their own



1 location, which is already well known as a venue for  
2 special events.

3           They expect that this new venue will  
4 also now allow them to bring in additional clients  
5 and new streams of revenue. They also are in  
6 negotiation with a Company X -- although I think  
7 maybe a name has been included in the presentation --  
8 to expand their food distribution business. And  
9 that's definitely going to increase their bottom line  
10 because instead of just preparing for special events,  
11 they will also be preparing for this other customer.  
12 I might as well say Amazon, and I'll explain what the  
13 project is.

14           They will be able to relocate their  
15 kitchen. The benefit of this much larger kitchen is  
16 that they now have countervailing efforts. On a  
17 Friday, Saturday, and Sunday they prepare foods for  
18 special events and catered ceremonies, but during the  
19 week, they will be preparing for this wholesale food  
20 distribution project that Amazon is leading. The  
21 company is only going to be required to prepare food.  
22 They are not going to be putting the food in these  
23 vending machines that Amazon is going to be manning,  
24 and owning and operating.

1                   Now, concerning American Express, and  
2                   this is a very interesting thing. They have a  
3                   longstanding relationship with American Express, and  
4                   based on their sizable merchant processing volume  
5                   with American Express, they've qualified for \$425,000  
6                   merchant processing line of credit which will go  
7                   toward the almost \$900,000 cost of renovating space.  
8                   The key thing is we insisted on, and American Express  
9                   finally agreed to be subordinated to MB Financial and  
10                  to the Authority.

11                  Also, MB Financial will simply be  
12                  replacing the \$200,000 line of credit that BMO Harris  
13                  is now providing the company. So there's no real  
14                  increase debt facilities or credit facilities in that  
15                  case.

16                  The company was established, as I  
17                  mentioned, in 1989. Their three primary business  
18                  lines are special events, which is 67 percent of  
19                  their revenue; corporate catering, which is 20  
20                  percent; and wholesale food distribution, which is  
21                  13. Currently, they're located in Goose Island.

22                  They've catered for very large events  
23                  for presidents and queens and corporate leaders.  
24                  They're very popular as a caterer and a special event

1 planner, and now they'll will be able to make  
2 presentations in their own venue.

3           Their cash position has always  
4 remained more than adequate. One of the key things,  
5 is you see a tangible net worth of only \$73,000 with  
6 a total net worth of \$164,000. The thing is, this is  
7 skewed by the fact that all deposits for events are  
8 counted as liabilities. And so when you see a high  
9 debt to a net worth, much of that debt, in fact, more  
10 than half of that debt is actually deposits for  
11 events that are going to be held in the future.

12           Also, these borrowers -- or the owners  
13 have shown a willingness to use their own money in  
14 order to support the project. Now, of course in the  
15 past, they've also taken some pretty generous  
16 distributions, mainly because they had no debt and  
17 they could do what they wanted with the company.  
18 Now, they're are growing up; they're taking on debt;  
19 they understand that distributions will be limited to  
20 only the amount needed to pay taxes, and though they  
21 still have \$50,000 owed to the company, no repayments  
22 are going to be allowed on those funds until our  
23 facility is completely paid off. Okay?

24           These are things that negotiated with

1 MB Financial. MB Financial went to the client; the  
2 client agreed. So we take a very proactive role in  
3 restructuring a bank-structured deal so that it  
4 benefits the Authority.

5 Their fixed charge coverage ratio is  
6 strong; current ratio is strong. Again, the only  
7 thing that seems to stand out is their net worth and  
8 tangible net worth, again, skewed by the deposit  
9 situation.

10 Their net sales have been growing  
11 steadily. However, we expect them to really start  
12 growing in 2018 now that they have their own venue  
13 and also this special project with Amazon. Their  
14 gross profit margin has consistently been above 60  
15 percent.

16 They show a -- something there called  
17 a loss of revenue of \$118,000. Let me explain what  
18 that is because although it's shown as a loss that  
19 we've added back for analysis purposes, the fact of  
20 the matter is it shows what kind of company this  
21 company is.

22 When they took over this venue, this  
23 Venue One venue that they're now renaming Venue West,  
24 there were a number of contracts with that venue, and

1       there were about a 180-some-odd-thousand dollars of  
2       deposits that were placed by customers with the  
3       management of Venue One. The management of Venue One  
4       took that money and spent it, and so it was up to  
5       Venue West, or J&L Catering, to decide, What should  
6       we do? And they decided to go ahead with the  
7       contracts and not require any further funds from the  
8       customers. So technically they lost \$118,000 that  
9       they would have made had those deposits been there or  
10      had this been a normal course of business where they  
11      would have charged a deposit, a full rate for the  
12      event.

13                    Their debt service coverage ratio has  
14      remained solid in '17, and certainly projected for  
15      '18. Their net worth dipped slightly because of the  
16      costs of starting this new venue. They were already  
17      operating there in limited conditions. They also  
18      were paying shareholder loans. They paid off 15 out  
19      of the 65,000 they lent to the company. That's  
20      stopping until our loan is paid off.

21                    They are also entering this new  
22      contract that -- I should explain that. Well,  
23      actually, in the income statement you'll see every  
24      one of their businesses is growing strongly except

1 for their wholesale food distribution, and that's  
2 something that they are doing deliberately.

3           They are entering into the final  
4 negotiations with Amazon. Amazon is going to be  
5 establishing vending machines, which will be manned.  
6 So I don't quite get that, but they're going to have  
7 these vending machines at pedestrian areas,  
8 high-traffic areas, and they are going to have J&L  
9 provide sandwiches, salads, yogurts, things like  
10 that.

11           Suddenly, this is something that they  
12 can do Monday, Tuesday -- well, actually Sunday,  
13 Monday, Tuesday, Wednesday, Thursday, because Friday,  
14 Saturday, Sunday they are preparing for special  
15 events. So you can see how this enables them to use  
16 their facilities far more fully and where they have  
17 countervailing revenue sources, which I think is  
18 going to be very strong.

19           The ownership is very experienced --

20           MEISTER: Stan, we've got three more.

21           LUBOFF: Right.

22           The ownership is experienced and is  
23 very active in the community. The guarantors are  
24 very strong. You'll notice that the net worth of

1 Mr. Grady is only 220- -- just the net worth is only  
2 \$220,000. That includes the subtraction of \$1.4  
3 million in retirement assets.

4 Both parties are married. Mr. Kelly's  
5 wife is a school administrator school, assistant  
6 school administrator. Her earnings are close to  
7 \$40,000 a year. Mr. Grady's partner is a doctor and  
8 earns \$230,000 a year.

9 So we have very solid guarantors. We  
10 have a very good business, longstanding business that  
11 has great plans for expansion, and we're creating 20  
12 jobs. I ask that you approve.

13 Are there any --

14 POOLE: Thank you, Mr. Luboff.

15 Are there any questions of  
16 Mr. Luboff's presentation, briefly?

17 JURACEK: Just a comment.

18 I was doing a little Internet  
19 searching here. I didn't realize till this morning  
20 J&L actually catered our daughter's wedding in 2010,  
21 and I can speak to the reputation. You know, we  
22 interviewed a number of places and number of caterers  
23 and my daughter zeroed in on these, and she does a  
24 lot of events and has a lot of weddings. And that

1 was way back in 2010, and they were amazing. The  
2 venue was Salvage One on Hubbard Street, so I'm not  
3 surprised by their longevity and their reputation.  
4 So I have no financial interest in them other than I  
5 paid them a lot of money.

6 McCOY: And they appreciated it.

7 LUBOFF: I think we noticed in the cash flow.

8 POOLE: Anyone else?

9 (No response.)

10 POOLE: Next, we'll have the Executive Director  
11 with a brief introduction of Nos. 2 and 4.

12 MEISTER: Yeah. Actually --

13 POOLE: 2 through 4.

14 MEISTER: -- we will do 2 through 4.

15 On Agenda Item No. 2, this is a legacy  
16 relationship going back to 2005 with the statutorily  
17 created nonprofit the Clean Energy Community  
18 Foundation. We received some money back in '05. We  
19 lent it to a windmill development project in Bureau  
20 County. It was repaid successfully in the second  
21 half of calendar year 2017, and we briefly explored  
22 alternative uses for those sums with the foundation.  
23 And ultimately, we came to the conclusion that we  
24 should return the money and keep the interest.



1                   Six and I can answer any questions.

2           FLETCHER:  And there will be an abstention in  
3 the Board meeting on this resolution item, so there  
4 will be a separate vote at the beginning.

5           MEISTER:  Great.  Thanks, Mr. Fletcher.

6                   Agenda Item No. 3 is the termination,  
7 also of a longstanding legacy relationship.  This is  
8 a relending program with the U.S. Department of  
9 Agriculture's Rural Development program.  We've  
10 received a sum of money, relent it out over time.  
11 Like many of our legacy programs, this is something  
12 that's sort of frozen in time in the 1980s, and we  
13 have worked with successive administrators at USDA  
14 Rural Development to make this thing work.

15                   Frankly, Six and I drew the  
16 conclusion, after some analysis of this with Stan, is  
17 that the best course of action is rather than trying  
18 to make the 1986 Oldsmobile work, that we would just  
19 scrap it, and so we're returning the money.  We're  
20 going to be able to keep -- we believe we will be  
21 able to keep some interest payments that have been  
22 made over time, but I ask for an aye vote to return  
23 this money.

24                   I'll take any questions.

1 (No response.)

2 MEISTER: Agenda Item No. 4: This is a program  
3 that Members will remember that was -- we had  
4 basically made loans to medical students who had the  
5 federal immigration status of DACA, and then they  
6 would agree, following their residency, to serve in  
7 Illinois medically underserved communities where  
8 there is a shortage of doctors.

9 In March, there was the first class  
10 from Loyola Stritch. Six of these recipients were --  
11 successfully completed medical school and were placed  
12 in residencies. There has been continued interest in  
13 this, including at least with one potential medical  
14 student. And I would ask for additional monies,  
15 which is approximately -- Ryan, \$3 million?

16 OECHSLER: Yes.

17 MEISTER: So it would bring the Authority's  
18 continued -- or entire commitment to \$5.9 million. I  
19 do think that from a mission perspective, this  
20 supports not only helping underserved communities  
21 across the state that are generally poorer, but also  
22 helping our nonprofit hospitals and the nonprofit  
23 medical and dental schools -- a number of which are  
24 also our borrowers. I ask for an aye vote.

1                   Any questions?

2                   (No response.)

3           MEISTER: Thank you.

4           POOLE: With that, I'd to request a motion to  
5 pass and adopt the following new business items of 1,  
6 2, 3, and 4.

7                   Is there such a motion?

8           JURACEK: So moved.

9           KNOX: So moved.

10          POOLE: Member -- a second?

11          KNOX: Second.

12          POOLE: There's is a second?

13          KNOX: Lerry Knox seconded.

14          POOLE: All right.

15                   Will the Assistant Secretary call the  
16 roll?

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

19                   Ms. Juracek?

20          JURACEK: Yes.

21          OECHSLER: Committee Chairman Knox?

22          KNOX: Yes.

23          OECHSLER: Mr. McCoy?

24          McCOY: Yes.

1 OECHSLER: Mr. Poole?

2 POOLE: Yes.

3 OECHSLER: And Mr. Zeller?

4 ZELLER: Yes.

5 OECSHLER: Member Poole, the motion carries.

6 POOLE: Thank you.

7 Move on to Other Business. Chairman  
8 Knox is on the phone.

9 Is there any other business to come  
10 before the Committee?

11 MEISTER: Mr. Chairman, if I may briefly?

12 POOLE: Yes. You've got about 7 minutes.

13 MEISTER: Oh, no. We'll be done -- it's a  
14 recognition and a complement of Members of the  
15 Authority team.

16 As the members know from the message  
17 from the Executive Director, the Authority  
18 successfully worked with all caucuses of the Illinois  
19 General Assembly to pass two bills in the recently  
20 concluded session, Senate bill 43 that -- Senate Bill  
21 43 and Senate Bill 2773.

22 I'll speak about Senate Bill 2773  
23 first because it was most complicated. It allows the  
24 Finance Authority a seat at the table on the Property

1 Assessed Clean Energy financing that was enacted into  
2 law after about a nine-year pregnancy with the  
3 Illinois General Assembly, last year. Mr. Fletcher  
4 of our team led that effort, worked with the lawyers,  
5 worked with a stakeholders. Again, I do not want to  
6 speak for the governor on this, but he signed the  
7 original version into law last year, and we've been  
8 working with his team.

9 We believe that this is a potential  
10 new mission and a long-term source of revenue for the  
11 Authority. Mr. Fletcher deserves our recognition and  
12 complements, especially for a particularly difficult  
13 and long meeting with a leading potential opponent of  
14 the legislation.

15 The second piece of legislation,  
16 Senate Bill 43, Mr. Luboff led working with both  
17 Elizabeth and Brad, that was successfully passed, and  
18 Senator Bertino-Tarrant, who has long been a friend  
19 of the Authority. And it was completing the access  
20 to various Authority funds, some held by the state  
21 treasurer, some held locally, and bring those up for  
22 PACE bridge loans and also for participation loans.

23 Ultimately, I hope that the  
24 Participation loan structure will replace the

1       guarantee structure in the Authority's product line  
2       and be able to help small businesses and small towns  
3       and agricultural-related borrowers more effectively.

4                So Mr. Luboff and Mr. Fletcher deserve  
5       our thanks and recognition, and I anticipate that  
6       future meetings of this committee will have -- will  
7       have projects of both PACE and additional expanded  
8       Participation loans.

9                Thank you.

10              POOLE: Thank you, Mr. Meister for your  
11       overview.

12              Next, will be Item No. 4, Other  
13       Business. Is there any other business to come before  
14       the Committee?

15              (No response.)

16              POOLE: Hearing none -- hearing none, is there  
17       any public comment for the Committee?

18              (No response.)

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

21              Is there such a motion?

22              ZELLER: So moved.

23              JURACEK: Second.

24              POOLE: A motion made, seconded.

1                   Any questions?

2           FLETCHER: All those in favor?

3           POOLE: All those in favor?

4                   (Chorus of ayes.)

5           POOLE: Opposed?

6                   (No response.)

7           POOLE: Ayes it have. So we're done.

8           FLETCHER: It's a wrap.

9           POOLE: It's a wrap.

10          OECHSLER: The time is 8:56 a.m.

11                                   (Whereupon the above

12                                   matter 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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