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ILLINOIS FINANCE AUTHORITY BOARD
PUBLIC NOTICE OF DIRECT AND ALTERNATIVE FINANCING
COMMITTEE MEETING
December 10th, 2015 at 9:15 a.m.

Report of Proceedings had at the Meeting of the
Illinois Finance Authority Board Meeting, Public Notice of
Direct and Alternative Financing Committee Meeting on
December 10th, 2015, at the hour of 8:30 a.m., pursuant to
notice, at 160 North LaSalle Street, Suite S1000, Chicago,
Illinois.

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1 APPEARANCE:
2 COMMITTEE MEMBERS

3 MR. LERRY KNOX, Chair
4 MR. JAMES J. FUENTES
5 R. ROBERT FUNDERBURG, Ex-Offi ci o

6 PRESENT TELEPHONI CALLY:

7 MR. ROGER POOLE
8 MS. ARLENE JURACEK

9 ALSO PRESENT:

10 MR. JOHN YONOVER

11 ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

12 R. ROBERT FUNDERBURG, Ex-Offi ci o
13 MR. BRAD FLETCHER, Assi stant Vi ce-Presi dent
14 MR. RICH FRAMPTON, Vi ce-Presi dent
15 MS. PAMELA LENANE, Vi ce-Presi dent
16 MS. ELIZABETH WEBER, General Counsel
17 MR. CHRIS TOPHER B. MEI STER, Executi ve Di rector
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24 MR. PATRICK EVANS, Agri cul tural Banker

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1 CHAIRMAN KNOX: What we're going to do is we're
2 going to call the order and take roll for the
3 Illinois Finance Authority Direct and Alternative
4 Financing Commi ttee Meeti ng.

5 So wi th that, wou ld you please take roll?

6 FLETCHER: Certain ly. The time is 9:15.
7 Member Fuentes?

8 FUENTES: Here.
9 FLETCHER: Member Juracek?
10 JURACEK: Here.
11 FLETCHER: Committee Chairman Knox?
12 CHAIRMAN KNOX: Here.
13 FLETCHER: Member Poole?
14 POOLE: Here.
15 FLETCHER: At this time we have a quorum of the
16 Committee.
17 CHAIRMAN KNOX: Thank you.
18 FUNDERBURG: Can I be excused? Just note I
19 have stepped out.
20 MEISTER: Why don't you read that into the
21 record?
22 CHAIRMAN KNOX: Please let it be known that
23 Chairman Funderburg has stepped out of the meeting.
24 MEISTER: He serves as ex-officio on agenda
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1 item Roman Numeral II, the King transaction. There
2 may well be a conflict; and after consulting with
3 counsel, Mr. Funderburg has removed himself from the
4 room.
5 CHAIRMAN KNOX: Should I take roll?
6 MEISTER: Yes.
7 CHAIRMAN KNOX: This is an open meeting, but I
8 would like to just note who is in the room, and if
9 there's any other folks on the phone that are
10 participating or listening in. So --
11 FRAMPTON: Rich Frampton, Illinois Finance

12 Authori ty.

13 EVANS: Patrick Evans, Illinois Finance

14 Authori ty.

15 GILLERS: Heather Gillers, G-i-l-l-e-r-s,

16 Chi cago Tri bune.

17 CAMPBELL: Elizabeth Campbell, Bloomberg News.

18 WEBER: Elizabeth Weber, General Counsel.

19 MEISTER: And Chris Meister, Executive

20 Di rector.

21 FLETCHER: Brad Fletcher, in my capaci ty as

22 Assi stant Secretary Offi cer. I believe we have a

23 guest on the phone. Sharkey?

24 SHARKEY: Yes.

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1 MONEY: Illinois Finance Authori ty, Mari
2 speaking. I don't know what just happened there.

3 MEISTER: Who is Sharkey?

4 FLETCHER: Could you identi fy your empl oyer,
5 please?

6 SHARKEY: Oh, I'm sorry. It's National Tech
7 Servi ces, TEC.

8 MEISTER: Okay. And what is your first name
9 again? We've spoken on the phone.

10 SHARKEY: It's Terry, T-e-r-r-y.

11 MEISTER: Oh, excel lent.

12 CHAIRMAN KNOX: Thank you. What I would like
13 to do is, we're severely behi nd schedul e, just jump
14 right into the agenda, if that's okay wi th everyone,
15 and move to item number 2 on the agenda, which is
16 the presentati on of consi derati on of agri cul tural

17 project specialized livestock guarantee for Edward
18 L. King.

19 It's a one-time -- final one-time
20 consideration, and it's also tab 2 in the book.

21 MR. EVANS: Thanks. This specialized livestock
22 guarantee relates to Resource Bank requesting
23 \$1,000,000 to finance improvements of Edward and
24 Kimberly King, a cattle operation. In the past

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1 three years, the Kings have made over \$1.2 million
2 improvements in feed lot and grain storage.

3 The loan will be an 85-percent guarantee
4 on 129.54 acres of bare land and will have a first
5 mortgage position supported by title or policy.
6 This will be a 15-year amortization with monthly
7 principal and interest. The interest rate will be
8 fixed for three years and adjustable every three
9 years thereafter.

10 The Kings have been involved in the cattle
11 grain farming operation for over 30 years. As
12 stated, over the past three years, they have
13 invested \$1.2 million into their cattle facility.
14 The most recent investment was a new storage
15 facility for grain and feed.

16 Through this facility, the Kings hope to
17 improve their efficiency lowering their feed costs
18 by utilizing DDGs and corn finds from the local
19 ethanol plant. Page 5 and 6 of the writeup is a
20 summary of the financial information. The summary

21 reveals that this is a leverage entity; however, the
22 entity's ratios falls within IFA's guidelines.

23 The entity does have a good working
24 position with over a million dollars in current

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1 assets and current ratio of 1.35. Page 6 is
2 reconciliation of the balance sheet, the accrued
3 earnings to adjust adequate funds to service debt
4 with a 1.3 debt coverage.

5 Page 7 and 8, the summary of the tax
6 return, the summary, the suggested borrowers has
7 managed its cash each year to service its debt
8 requirements having \$163,000 in the last year for
9 living to service debt, after servicing the debt.
10 Sorry about that.

11 FRAMPTON: That's the top of page 9, right?

12 MR. EVANS: The top of page 9. The projections
13 for 2015 reflects that they would have adequate
14 funds after servicing debt. They will have \$95,000
15 available.

16 Page 13 is a collateral analysis from the
17 July 2014 appraisal. The purpose of this analysis
18 is to identify the soil types and the amount of
19 acres of each soil type so we can appropriately
20 assign, you know, the value of the property.

21 On page 13 and 14, I did two scenarios,
22 one generating the average comparable sales of soil
23 types, and the one utilizing the lowest-recognized
24 comparable sale.

1 Utilizing the lowest-comparable sales, the
2 collateral is perceived to be \$1,495,000, creating
3 exposure of the \$850,000 loan ratio of 57 percent.
4 The IFA exposure ratio will have to -- to get to a
5 one-to-one coverage, the value of the collateral
6 will have to fall to \$6,625 per acre or will have to
7 decrease \$5,000 per acre.

8 Resource Bank will maintain a second
9 position behind IFA collateralizing their other
10 loans. As you can see, the strength in this loan is
11 a strong collateral position being 57 percent. The
12 borrower has over 30 years cattle experience.

13 Though leveraged, the borrower has equity
14 position of 3.2 million. The proposed debt
15 structure will stretch out existing payments and
16 improve payment ability. The borrower has good
17 working capital of 1. -- I mean, of \$1,000,000. The
18 individual is diversified in crops and having a
19 livestock facility.

20 Resource Bank has 5.2 million dollars,
21 with a second position behind IFA, a 15-year
22 amortization monthly payments. Per the loan
23 officer, the Edwards' parents, Louise -- I mean,
24 Louis and Darlene King have completed a trust

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1 allowing Ed King to farm their farm land as long as
2 Ed desires.

3 Is there any questions on this?

4 FRAMPTON: So, Pat, just to clarify, the
5 participation loan we have a first on the 130 acres
6 of land, and even though the proceeds of the
7 financing are going to be financing livestock
8 buildings instead of taking a mortgage on 80 acres,
9 plus five acres with improvements that include ag
10 buildings with roughly the million-five value,
11 instead we're getting row crop farmland valued at a
12 million-five which secures us better.

13 MR. EVANS: 130 acres.

14 CHAIRMAN KNOX: And we get all the -- the first
15 lien gets all the crop land to the 130 as opposed to
16 just the --

17 MR. EVANS: Specialized units.

18 FRAMPTON: Instead of the 80 and then 5 with
19 improvements.

20 CHAIRMAN KNOX: And then the funds at risk, the
21 State funds at risk, are \$850,000, 85 percent of the
22 loan? That will come down as it's amortized?

23 MR. EVANS: Yeah, 57 percent.

24 FRAMPTON: And the bank has -- they absorb the
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1 first 15 percent of loss.

2 CHAIRMAN KNOX: Okay. Are there any other
3 questions from the Committee? Do we have a motion?

4 FUENTES: I'll make a motion to approve.

5 JURACEK: I'll second.

6 CHAIRMAN KNOX: All in favor?

7 (A chorus of ayes.)
Page 8

8 CHAIRMAN KNOX: Thank you. We'll move on to
9 agenda item 3, which is the presentation and
10 consideration of a request by State Bank, Freeport,
11 Illinois, and Northwest Illinois Development
12 Alliance to the Illinois Finance Authority for
13 approval of a five-year extension of a term
14 participation loan to Freeport Stevenson County
15 Visitor Center.

16 FRAMPTON: Yes. This is tab number 7 in your
17 Board book. State Bank has requested a five-year
18 extension on this term loan. This is really a
19 project financing.

20 Our security on this deal is effectively a
21 two-percent hotel tax that was assessed across the
22 county in 2005, with the proceeds being allocated
23 first to service the debt to State Bank and IFA.

24 The residual of the hotel tax proceeds
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1 over and above that actually go to the tenant, which
2 is the Freeport Stevenson County Convention and
3 Visitors' Bureau.

4 If you look at page 6 of your report, for
5 the last fiscal year, the hotel taxes were
6 sufficient to -- I should say the dedicated hotel
7 tax just to service this debt generated sufficient
8 proceeds to cover the IFA and State Bank loan
9 payments by a coverage ratio of 2.23. When you
10 include -- when you add property taxes on the
11 property, it's still 1.74 coverage.

12 So this loan has been performing well.
13 This, by the way, was IFA's first loan to a
14 501(c)(3) entity. This particular deal, really, in
15 its own small way, is really IFA's first
16 public/private partnership deal between nonprofit
17 entities in Stevenson County and local governments
18 there to jointly finance a project.

19 This project really does two things for
20 the Authority, if we consider the extension beyond
21 the normal ten-year term limit on participation
22 loans: Number one, on the remaining outstanding
23 balance of approximately \$116,000, we will earn a
24 4-percent return.

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1 These funds, if the loan were to mature on
2 12-28 of this month, would return to IFA's treasury
3 where they would be earning no more than a one-year
4 bank CD rate.

5 But more importantly, we would like to
6 replicate this structure with other units, local
7 government and potentially economic development
8 agencies, and this is a very -- in addition to being
9 good for the Authority's bottom line, it also
10 provides us with a marketing opportunity and a live
11 deal to promote; and for all those reasons, we
12 recommend approval.

13 CHAIRMAN KNOX: Any comments from the
14 Committee?

15 MR. POOLE: I would move, Mr. Chairman, that we
16 recommend this -- approve this and recommend it to

17 the full body of the Board.

18 FUENTES: I'll second.

19 CHAIRMAN KNOX: All in favor?

20 (A chorus of ayes.)

21 CHAIRMAN KNOX: Motion carries. So do we need
22 to move into closed session?

23 MEISTER: Actually, Mr. Chairman, I don't think
24 it's necessary at this time to move into closed

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1 session. And, in addition, agenda items number 6
2 and number 7, the agenda item number 6 is the
3 presentation and consideration of a resolution
4 authorizing not to exceed, I'm paraphrasing,
5 \$115,000,000 in revenue bonds backed by moral
6 obligation, and agenda item number 7, the
7 presentation and consideration of a resolution to
8 use unrestricted general funds.

9 I'm recommending that we not consider
10 these items, as sometimes happens. I'll also, just
11 for the record, these are agenda items number 11 and
12 number 16 on the full Board Meeting under the order
13 of presentation and consideration of project to
14 reports and resolutions.

15 These two matters are not yet ripe, and I
16 would -- I need to continue to work with the project
17 team and then come back when it's ripe.

18 CHAIRMAN KNOX: Okay. So they're being
19 withdrawn?

20 MEISTER: Yes.

21 CHAIRMAN KNOX: Very well. Thank you. So with
22 that, I believe that there are -- is there any other
23 business before the Committee at this time?

24 (No response.)

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1 CHAIRMAN KNOX: Hearing none, is there any
2 public comment?

3 (No response.)

4 CHAIRMAN KNOX: Hearing none, do I have a
5 motion to adjourn?

6 MS. JURACEK: So moved.

7 MR. POOLE: Second.

8 CHAIRMAN KNOX: All in favor?

9 (A chorus of ayes.)

10 CHAIRMAN KNOX: We are adjourned.

11 FLETCHER: The time is 9:30.

12 (WHICH WERE ALL THE PROCEEDINGS HAD at 9:30 a.m.)

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1 STATE OF ILLINOIS)
2 COUNTY OF COOK) SS:

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4 PAMELA A. MARZULLO, C.S.R., being first duly sworn,
5 says that she is a court reporter doing business in the city
6 of Chicago; that she reported in shorthand the proceedings
7 had at the Proceedings of said cause; that the foregoing is
8 a true and correct transcript of her shorthand notes, so
9 taken as aforesaid, and contains all the proceedings of said
10 meeting.

11

PAMELA A. MARZULLO
License No. 084-001624

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