

1 ILLINOIS FINANCE AUTHORITY BOARD
2 TAX-EXEMPT CONDUIT TRANSACTIONS COMMITTEE MEETING
3 May 12th, 2016 at 8:30 a.m.

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7 Report of Proceedings had at the Meeting of the
8 Illinois Finance Authority Board of Directors Tax-Exempt
9 Conduit Transactions Committee Meeting on May 12th, 2016, at
10 the hour of 8:30 a.m., pursuant to notice, at 160 North
11 LaSalle Street, Suite S1000, Chicago, Illinois.

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1 APPEARANCE:
2 COMMITTEE MEMBERS

3 MR. ROBERT HORNE, Chair
MR. MICHAEL W. GOETZ
4 MR. LYLE McCOY, Vice-Chair
R. ROBERT FUNDERBURG, Ex-Offi cio
5 MR. BRADLEY ZELLER
6 ILLINOIS FINANCE AUTHORITY STAFF MEMBERS
7 MR. BRAD FLETCHER, Assi stant Vi ce-Presi dent
MR. RI CH FRAMPTON, Vi ce-Presi dent
8 MS. PAMELA LENANE, Vi ce-Presi dent
MS. ELI ZABETH WEBER, General Counsel
9 MR. CHR I STOPHER B. MEI STER, Execu ti ve Di rector
MR. MASANARI KATSUMI, Legal extern
10 MR. PATRI CK EVANS, Agri cul tural Banker
MS. TAMMY HARTER, Legi sl ati ve Li ai son
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12 GUESTS:
13 Mr. Tony Shi r
Mr. Prakash Ramani
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2 CHAIRMAN HORNE: Brad, do you want to take the
3 roll?
4 FLETCHER: So the time 8:30 a.m. I will call
5 the roll of the members present. Chair man Horne?
6 CHAIRMAN HORNE: Here.
7 FLETCHER: Vi ce-Chai r McCoy?

8 McCOY: Here.
9 FLETCHER: Mr. Zeller?
10 ZELLER: Here.
11 FLETCHER: Mr. Goetz?
12 GOETZ: Here.
13 FLETCHER: Mr. Funderburg as ex-officio?
14 FUNDERBURG: Here.
15 FLETCHER: Mr. Chairman, at this time we have a
16 quorum.
17 CHAIRMAN HORNE: Thank you. So we have in our
18 packets the minutes from the prior meeting. Has
19 everyone had a chance to review them?
20 Any edits that we would like to suggest?
21 If none, I would like to ask we have a motion to
22 accept the minutes.
23 GOETZ: So moved.
24 McCOY: Second.
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1 CHAIRMAN HORNE: All in favor?
2 (A chorus of ayes.)
3 CHAIRMAN HORNE: Anyone opposed?
4 (No response.)
5 CHAIRMAN HORNE: Okay, thank you. Now we're
6 going to go through I think the project that we have
7 in our agenda. I think the first project on the
8 agenda is the presentation from Mr. Evans.
9 Would you like to present, Brad -- not
10 Brad.
11 EVANS: Sure. Today we have two beginning

12 farmer bonds, both are FSA related. Is says here
13 there is a guarantee, and we -- the IFA bond has the
14 first position on the real estate. The first one is
15 Keith and Kimberly Kocher.

16 People's State Bank will finance \$153,000
17 of \$306,000 regarding a purchase of 60 acres of
18 ground at \$5100 an acre. This is a 50/50 FSA
19 guarantee, with IFA having a first position on the
20 property. IFA's loan has a first position on the
21 property.

22 The interest rate would be 3.25,
23 adjustment every 10 years at 2 percent below prime,
24 with a floor of 3.25, and a ceiling of 12.99. It's

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1 a 30-year am.

2 The second one is Graham and Jane Wagner.
3 People's State Bank has financed \$300,000 of a
4 \$600,000 purchase relating to 80-acre property,
5 80-acre parcel at \$7500 an acre. The program is a
6 5/45/50 program with FSA, with the bank retaining
7 50 percent.

8 It's a 3.25 adjustable, 10 years, and it
9 was just at 2 percent below Wall Street with a floor
10 of 3.25 and a ceiling of 12.99. Any questions on
11 those?

12 CHAIRMAN HORNE: Not really. I just had a
13 question on the first one, which was: Is it normal
14 that we're looking at literally 100-percent
15 financing on deals?

16 EVANS: Yes. Our risk is limited, IFA's is
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17 because the bank -- FSA takes the first part of it,
18 guarantees it to the bank, and then IFA has a
19 remaining 50 percent, which is a first position.

20 They subordinate our position so we're in
21 first position. The bank is in first position on
22 50-percent retained. The risk is limited, and the
23 bond is incentive, because the bond gives the bank
24 an opportunity to lower the rate to an attractive

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1 rate where it's competitive.

2 Does that make sense?

3 CHAIRMAN HORNE: It makes sense. I just never
4 understand when you can borrow and have zero skin in
5 the game.

6 EVANS: Well, with FSA and IFA, the incentive
7 is to encourage retention of farmers, young farmers
8 and everything. That is why it began. Both
9 programs are described as beginning farmer programs.

10 CHAIRMAN HORNE: Right, got it. Okay. Any
11 others questions? If none, I would like to ask that
12 we move to the second bond revenue or the farmer
13 bond.

14 EVANS: The guarantee?

15 CHAIRMAN HORNE: Yes.

16 EVANS: Okay.

17 FLETCHER: That wouldn't be considered a
18 tax-exempt transaction. So it's not on our
19 tax-exempt agenda. Actually, the next should be
20 American Academy of Pediatrics.

21 CHAIRMAN HORNE: I have it on our agenda here.
22 No, I guess you're right. You're right. Sorry.
23 FRAMPTON: So next we'll move on to Item 3,
24 which is a one-time Final Bond Resolution for the
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1 American Academy of Pediatrics. The Academy is
2 requesting approval of a Final Bond Resolution in an
3 amount not to exceed \$50,000,000.

4 Just as an informational item, the
5 underlying project is being considered as an
6 educational facility for purposes of IFA statute.
7 Bond proceeds will be used to finance the
8 acquisition of land and the construction and
9 equipping of a new 183,000 square-foot office
10 building that will include an approximately 40,000
11 square-foot conference center, located at 345 Park
12 Boulevard in Itasca.

13 This property is located directly across
14 the street from the Westin Chicago Northwest Hotel
15 at the I290 Thorndale, soon to be Illinois 390
16 Interchange, for the Academy, since they bring in
17 physicians from not just all over the country, but
18 all over the world for in-house training.

19 The improved access that the new Toll Road
20 would be providing will be helpful. That was one of
21 the factors in their site decision, along with the
22 location across the street from the Westin.

23 Right now, currently the Academy has
24 actually been located in Elk Grove at the Arlington

1 Heights Road I90 Tollway Interchange. They've been
2 there for approximately 30 years.

3 During that time, their staffing has
4 increased from 124 to 460, while their membership
5 has gone from 26,000 to 64,000. So -- and over the
6 last several years, they've been -- they have been
7 posting 3-percent average growth in employment each
8 year.

9 So they've actually built this -- they are
10 building this property with the idea of allowing for
11 future expansion; but more importantly, they are
12 going to be bringing in conferences that have, to
13 date, been hosted out of state.

14 And, initially, they expect -- over the
15 first two years, they expect to post 10 large
16 meetings with over 100 attendees each. So over the
17 first two years, that will result in an additional
18 2,000 room nights in the Itasca area.

19 So in a lot of respects, these kinds of
20 projects, which we have a long legacy of financing
21 over the past 25 years, really do a lot to boost the
22 economy in the metropolitan area.

23 And in addition to pediatrics, we have
24 recently done the physicians building in Glenview

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1 and that Pam worked on with the Joint Commission of
2 Healthcare Accreditation, and we've done the

3 American College of Surgeons and several others. So
4 this has always been a nice niche for us.

5 But switching gears, just to talk a bit
6 about the financing structure, these bonds will be
7 directly purchased by First Merit Bank. First
8 Merit, either through a fixed rate or a synthetic
9 fixed rate, will be providing the Academy with a
10 fixed rate of borrowing for an initial period of 15
11 years. The life of the bond issue will be 30.

12 In addition to all that, in February of
13 2015, First Merit actually provided the Academy with
14 a bank loan that enabled them to purchase the land
15 associated with the Itasca building.

16 The Academy's Board actually approved
17 their own inducement resolution back in late 2014,
18 to allow this to proceed on a text-exempt basis.

19 In terms of the Academy's financial
20 condition that's reported beginning on page 7, they
21 have posted very strong operating results; and
22 although they posted accounting losses, after you
23 add depreciation back, they've posted positive
24 EBIDA, as well as debt service coverage.

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1 They are currently debt free. Their only
2 capital obligation of any kind is a capital lease
3 for office space in Washington, D.C. So, that's the
4 sole piece of fixed obligation that's reflected in
5 the debt service coverage.

6 In 2015, the Academy elected to incur some
7 additional expenses on marketing and publications,

8 as well as installing a new IT system. Those
9 factors drove up expenses in 2015 by roughly a
10 million five. So that explains the 2015 variance.

11 A map of the project site areas is
12 presented on page 6. With that, I'll conclude my
13 remarks. Are there any questions?

14 CHAIRMAN HORNE: Just one question I had, and I
15 may have misread this, but when they get this
16 financing, are they retiring the bank loan at that
17 time?

18 FRAMPTON: Not immediately. The bank loan
19 actually has a five-year life, and they actually
20 expect to retire that loan in 2017 or 2018.

21 CHAIRMAN HORNE: So it's triggered with the
22 sale of their other property?

23 FRAMPTON: Yes, it is. It is tied to that.

24 CHAIRMAN HORNE: Those proceeds will

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1 essentially be set aside on the bond offering?

2 FRAMPTON: Yes.

3 FLETCHER: Correct.

4 FRAMPTON: And that will go in as equity.

5 CHAIRMAN HORNE: Okay.

6 FRAMPTON: Effectively. As you'll note in the
7 sources and use of funds, the total project cost is
8 \$56,700,000.

9 CHAIRMAN HORNE: Okay.

10 FRAMPTON: So, effectively, that will wash.

11 One other thing to point out, First Merit and the

12 Academy will actually be using a drawdown bond
13 structure. So they they will actually not be taking
14 down all the proceeds immediately.

15 They will take them down as the project is
16 constructed through it's completion date in
17 September of 2017. To be conservative, though, we
18 laid on all \$50,000,000 of debt upon the closing
19 date of the bonds June 30, 2016. So the debt
20 service coverage in 2017 and 2018 actually is more
21 conservative of what they'll actually post.

22 And one other thing to note, full debt
23 service payments, both principal and interest, will
24 begin in fiscal 2019.

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1 CHAIRMAN HORNE: Okay, thank you. Any other
2 questions? Okay. Pam, would you like to talk about
3 our next two items?

4 LENANE: I would. I'm going to do Ness
5 Healthcare and Rush University Medical Center.

6 CHAIRMAN HORNE: Yes, please.

7 LENANE: Okay. But I'll do Ness, and then I'll
8 introduce our guests, as part of my presentation.

9 CHAIRMAN HORNE: Great.

10 LENANE: Ness Healthcare is coming for a -- and
11 we changed this to a preliminary resolution from a
12 final resolution, because we just couldn't get
13 enough of historical numbers combined from the three
14 facilities to show.

15 We have projections in here, and I know
16 that Loop has been working on those projections, but

17 we didn't have the historicals combined on the
18 facilities. We didn't have access to those.

19 CHAIRMAN HORNE: Okay.

20 LENANE: And so -- but we will have all of that
21 for the final resolution in June. Ness Healthcare
22 was formed by HAHN Capital, which is a private
23 equity firm located in Chicago, and they acquire and
24 manage senior living, but mostly senior living and

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1 youth facilities for the mentally ill.

2 They are called psychiatric hospitals.

3 We, actually, in Illinois don't have those anymore,
4 but these are -- this is a multi-state transaction.

5 The properties are located in Louisiana, Alabama and
6 Minnesota.

7 Ness Healthcare has its headquarters in
8 Chicago, and it is located in 7300 North Cicero
9 Avenue in Lincolnwood, and this is how we get the
10 nexus for issuing the multi-state bonds.

11 And I think, Chairman Horne, you had a
12 question about how does this benefit the state, and
13 one of the benefits of the multi-state, one of the
14 requirements that we have to meet, is that this is
15 advantageous for the state because it puts a company
16 in Illinois that's going to be employing six people,
17 and operating and acquiring more facilities.

18 CHAIRMAN HORNE: Okay.

19 LENANE: And that fulfills the requirements for
20 multi-state issue and situs in Illinois. These will

21 be conduit 501(c)(3) bonds, and I mentioned that
22 there will be six jobs located in Illinois.

23 I'm going to go over -- I'm going to go
24 past the three hospitals, because I would like to

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1 describe those, and then I'm going to turn it over
2 to Mr. Shir, the director -- the president of Ness
3 Healthcare, who can discuss the mission and what
4 their philosophy is and facilities, themselves, that
5 they are acquiring.

6 But before we do that, I would like to
7 just mention that the structure of this is a private
8 placement. The private placement agent is Loop
9 Capital. We have Prakash Ramani here from Loop
10 Capital, who is the banker on the transaction.

11 This will be privately placed by Loop with
12 a private-placement memorandum in \$100,000
13 denominations. So we have no requirements there.
14 The rating will be a fixed rate at between 4 and
15 6 percent.

16 The bonds will have a maturity of up to 30
17 years. Our estimated closing date is July 1st. I
18 call to your attention the Board Members of Ness
19 Capital.

20 WEBER: Healthcare.

21 LENANE: Healthcare, sorry. Mr. Scott Kellman,
22 Michael Tarnoff and Michael Messing, all very
23 prominent individuals in Chicago. Mike Tarnoff is
24 the CFO of the Jewish Federation. Scott Kellman is

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1 Chairman and Chief Executive Officer of the American
2 Eagle Life Care Corporation, which is a
3 not-for-profit provider for senior living services,
4 and also Michael Messing is the diagnostic
5 radiologist at the Hala Comprehensive Breast Center
6 in Jerusalem, Israel. Not only multi-state but
7 multi-country here.

8 If we go over to the financials, we do
9 have these projections on page 7 in the financials
10 that show good debt coverage and not great days cash
11 on hand, but nursing homes generally don't keep a
12 lot of cash on hand. They don't have a lot of cash.

13 So those numbers 42, 49 and 58, they're
14 actually sort of small. So I have to dig into that
15 for the final a little bit more.

16 CHAIRMAN HORNE: Do you characterize these as
17 nursing homes when they've got a Children's Hospital
18 in there?

19 LENANE: Well, I'll let Mr. Shir.

20 CHAIRMAN HORNE: Okay.

21 LENANE: It's a psychiatric hospital.

22 CHAIRMAN HORNE: Okay.

23 LENANE: For children. So I shouldn't say --
24 they are psychiatric facilities.

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1 CHAIRMAN HORNE: Got it.

2 LENANE: They are not really nursing homes.

3 Two of them are nursing homes, one is a psychiatric
4 facility short-term for adolescents.

5 CHAIRMAN HORNE: Okay.

6 LENANE: And so I think that covers the general
7 description of the project. And I would like to
8 turn this over to Mr. Shir, who is the president of
9 Ness Healthcare.

10 SHIR: Mr. Chairman, Committee Members, Staff.
11 Thank you very much for your time. Ness Healthcare
12 is a not-for-profit that is dedicated to providing
13 care for the elderly and the mentally ill.

14 I've worked in the private sector
15 acquiring healthcare -- doing healthcare
16 transactions, and over the last eight years probably
17 done about \$100,000,000 of healthcare physicians for
18 family offices and for HAHN, which is the private
19 equity firm.

20 Our mission is we see a need in those
21 communities, and we've been working to get these
22 deals for probably over a year now.

23 The facilities, themselves, are -- the
24 largest portion of the portfolio is a psychiatric

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1 facility in Mandeville, Louisiana, and that is --
2 that used to be a county hospital, and it now became
3 a private hospital. The current manager has bought
4 it from the state, actually, and has turned it
5 around, and it's doing really well.

6 As far as kind of our presence in
7 Illinois, we look to build out a management company

8 or management team here under Ness to have the CEO,
9 CFO, regional directors to do all the oversight for
10 the facilities.

11 We'll be here in Chicago. So we're going
12 to stay in Illinois. So no plans on moving. As far
13 as the individual facilities, themselves, most of
14 the care is in Louisiana. It is a 200-bed
15 psychiatric facility.

16 In Alabama, we have a 32-bed children's
17 behavioral facility; and in Minnesota, we have a
18 90-bed assisted-living facility. With respect to
19 the question of cash on hand, we will have
20 substantial cash on hand after the first, I would
21 say, 60 days because that's the time we would need
22 to be able to transfer the license into Ness
23 Healthcare.

24 Once we have the license, we can actually
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1 start building, and we will have -- you know, we
2 will have more than 150 days of cash on hand.

3 CHAIRMAN HORNE: So the cash on hand that's
4 shown here is existing, but once the transfer of the
5 license takes place, that number will build?

6 SHIR: That's right.

7 CHAIRMAN HORNE: Okay.

8 LENANE: These are projections, Mr. Chairman.
9 This had already gone out to the Board.

10 CHAIRMAN HORNE: No, I got it. That just helps
11 me understand.

12 LENANE: Yes, these numbers should be higher.

13 CHAIRMAN HORNE: Yes, that's very helpful.

14 RAMANI: Unlike other transactions where you
15 are sort of funding de novo center. Say you're
16 funding a CCRC or nursing home, these are all
17 existing assets.

18 So the historical performance of the
19 assets, it's separate from that. Ness is a
20 newly-formed entity using the taxes and proceeds to
21 fund the acquisition. So when you sort of aggregate
22 2013, 2014 and 2015 financials, they are all sort of
23 independent entities that are being aggregated just
24 for the purposes of the Board to sort of appreciate

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1 sort of the growth story.

2 But from point of closure forward, it's
3 Ness owning all three assets and using the bond
4 proceeds as acquisition financing.

5 CHAIRMAN HORNE: None of these assets have been
6 acquired yet; is that correct?

7 RAMANI: That's correct.

8 SHIR: That's correct.

9 CHAIRMAN HORNE: Okay.

10 LENANE: You're closing on July 1st?

11 RAMANI: Yes. We're shooting for a mid July
12 close.

13 LENANE: Right. And you're shooting for the
14 second week -- well, the week after our Board
15 meeting in June?

16 RAMANI: Correct.

17 LENANE: To put the private placement memo?

18 RAMANI: That's correct, to start marketing the
19 issue.

20 LENANE: Marketing the issue and then pricing.

21 RAMANI: My guess is probably two weeks after
22 we release the private-placement memorandum.

23 CHAIRMAN HORNE: Is HAHN Capital putting any
24 equity into the deal, themselves, or is this all

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1 from proceeds of the bonds?

2 RAMANI: The acquisition is themselves, from
3 Ness' perspective, will be from bond proceeds,
4 itself. HAHN Capital is actually one of the
5 entities that Ness will be acquiring one of the
6 facilities from. So the facility in Minnesota will
7 be sold from HAHN to Ness.

8 CHAIRMAN HORNE: Okay.

9 RAMANI: The other two acquisitions, the one in
10 Alabama, and the one in Louisiana, are both
11 acquisitions that will occur from a private seller
12 to Ness.

13 GOETZ: And then what will be HAHN's role be
14 after?

15 RAMANI: They are two separate entities. So as
16 a part of the transaction, they help broker the two
17 -- the three sales effectively, or two of the sales,
18 and then the seller on one. But on a going-forward
19 basis, Ness is a completely independent entity.

20 GOETZ: A stand alone? It won't be controlled

21 by HAHN?

22 RAMANI: Correct.

23 LENANE: And it is on page 5. Let's go to 5.

24 Ness has its own separate board.

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1 GOETZ: And who do you anticipate will buy the
2 bonds?

3 RAMANI: So we have done -- that's one of the
4 nice things of utilizing a private-placement
5 structure. So from a credit perspective, just
6 broadly, acquisition financing, tax-exempt bonds,
7 the security structure, the debt service coverage,
8 the proforma, that sort of story, has already
9 effectively been vetted by investors being Black
10 Rock, Guggenheim, SIT.

11 So we've done a significant amount of
12 marketing associated with the transaction. So I
13 anticipate a very sort of short marketing period;
14 but as with any sort of private-placement
15 transaction for a new 501(c)(3), there is going to
16 be some investor due diligence done.

17 GOETZ: Right.

18 RAMANI: We are building in a certain amount of
19 cushioning with marketing and closing.

20 LENANE: And we hope that this will be a
21 continuing relationship.

22 CHAIRMAN HORNE: Yep.

23 LENANE: As Ness Healthcare and Mr. Shir
24 continues to find facilities that meet the criteria

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1 that they're looking for.

2 I know the Board Members don't like to get
3 additional paper at a meeting, but I did Google the
4 three facilities, and I think it's quite
5 interesting, and so I think that would be okay,
6 Mr. Chairman?

7 CHAIRMAN HORNE: Sure, of course.

8 LENANE: To take them home and just look at
9 them, you know. Take a look. I mean, they are
10 quite lovely facilities.

11 It's interesting, I've noted this in this
12 particular area of the business, you know, when you
13 get outside of a major metropolitan city out into
14 the country, you can get quite a nice facility.

15 They are not as glamorous as the ones we
16 have here, but they are doing a great job serving
17 the needs. I think -- I don't know if you mentioned
18 that the facility in Louisiana is 100-percent
19 indigent.

20 SHIR: The Louisiana building is the only
21 facility in the entire state that has an indigent
22 contract with the state, which means kind of the ERs
23 in New Orleans are overwhelmed with psychiatric
24 patients, and we're the only property that we

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1 basically pull from the entire state of Louisiana.

2 It's a lower rate than the Medicaid rate,

3 but there's a huge need for that kind of service.
4 So we contract with the state. There's really
5 nobody else.

6 And the same thing with Beacon. Beacon is
7 one of only two facilities in the entire State of
8 Alabama that has this children's behavioral
9 facility, basically children psychiatric episodes,
10 schizophrenia. They are planning on -- they're
11 suicidal.

12 We are one of the only two facilities in
13 the entire state, and it is all Medicaid pretty
14 much. 85 percent is Medicaid reimbursed.

15 CHAIRMAN HORNE: Can you just tell me -- I saw
16 that this has a component of a taxable and a
17 component of non-taxable.

18 LENANE: It does. And we'll have that probably
19 better flushed out, because some of the assets that
20 are being acquired can't be acquired with tax-exempt
21 proceeds.

22 CHAIRMAN HORNE: Okay. I just didn't
23 understand.

24 LENANE: And portions of the assets, and then

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1 the cost of the issuance. I'll have this more
2 flushed out when we do our final next month.

3 CHAIRMAN HORNE: Great.

4 LENANE: We're paying broker's commission out
5 of the cost of issuance. So that's going to have to
6 come out. The broker's commission on these
7 facilities, that will have to come out of the

8 taxable portion.

9 RAMANI: Correct. So, effectively, the IRS has
10 sort of very strict rules about acquisition
11 financing treatment.

12 So not-for-profits, hospitals, 501(c)(3)s,
13 when they go out and acquire assets, they make
14 specific rules with regards to assisted living that
15 the units, themselves, had to have certain
16 attributes.

17 For instance, you couldn't acquire a
18 facility that really was sort of a residential
19 property that had very little healthcare or that
20 have, say, cooking units in the facility, in each of
21 the units, and say, "Okay, it's a 501(3)(c)
22 applicable project."

23 So the Owatonna facility in Minnesota,
24 about 24 of the units do not qualify for tax-exempt

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1 acquisition treatment. So we had to structure
2 approximately 1.2 million of that acquisition
3 through taxable bonds, as well as any cap X.

4 So we've got about \$3,000,000 of capital
5 improvements. So that has to be pro rata split
6 between the taxable and the tax component. That's
7 really the bulk. It's approximately \$3,000,000 of
8 taxable bonds will be sold.

9 The bulk of it is associated with the
10 acquisition treatment on a taxable versus tax-exempt
11 basis, and then the cap X that also has to be

12 pro rata split.

13 As Pam mentioned, we've got a 2-percent
14 limitation on cost of issuance with regards to the
15 tax-exempt bonds. So any additional cost over and
16 above the 2 percent will also pull the taxable
17 piece.

18 CHAIRMAN HORNE: Okay. Thank you.

19 GOETZ: So \$3,000,000 of the \$45,000,000 will
20 be used for capital improvements?

21 RAMANI: Correct. Split between all three
22 facilities.

23 SHIR: All three.

24 GOETZ: Fine.

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1 LENANE: And like you remember from housing,
2 the Donnelly Rule.

3 RAMANI: That is exactly right.

4 SHIR: That is exactly right, subject to the
5 Donnelly Rule.

6 LENANE: They can't look like independent
7 living units.

8 SHIR: Right.

9 RAMANI: That's right.

10 LENANE: So this is a whole new area for us,
11 and I'm really excited with it because people have
12 been talking about this for a long time, finding
13 these kinds of facilities, and then having them
14 under a central management. It's really a great
15 thing that Loop and Ness are doing.

16 MEISTER: Just to add some context to the
Page 22

17 Illinois multi-state authority that the IFA has,
18 this was a developing area in municipal tax-exempt
19 law. Predominantly, the Colorado Education
20 Authority was a leader in this when we went to the
21 General Assembly in 2010 and presented our case.

22 Particularly, the nexus and the
23 headquarter's test is while in the final
24 transaction, there will be certain findings required

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1 by the Board under state law, in order to get a Bond
2 Counsel opinion. The Bond Counsel will need to
3 address the headquarter's nexus in Illinois.

4 So since we passed this in 2010, it has
5 only become more prevalent in our marketplace, and
6 we're fortunate that the General Assembly agreed
7 with us and we have this tool.

8 CHAIRMAN HORNE: When you say more prevalent,
9 meaning other states adopted the same idea?

10 MEISTER: Other states and, frankly, other --
11 there are other entities with less --

12 CHAIRMAN HORNE: Criteria.

13 MEISTER: Well, less direct ties to their
14 individual states.

15 CHAIRMAN HORNE: I see.

16 MEISTER: Than what we have.

17 CHAIRMAN HORNE: Okay. Great. Thank you. Any
18 other questions on this? If none, I think we have
19 one other. Pam, you are going to think talk about
20 Rush?

21 LENANE: Well, we have two.
22 CHAIRMAN HORNE: Right.
23 LENANE: Yes. My next one is a Final Bond
24 Resolution for Northwest Community Hospital.

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1 FLETCHER: Rush.
2 LENANE: What did I say?
3 ZELLER: This is Rush.
4 LENANE: Rush, I'm sorry. Sorry, yes. I'm
5 sorry. This is a one-time Final Bond Resolution for
6 Rush University Medical Center. They will be used
7 -- the proceeds will be used to refund the Series
8 2008 A bonds, which were used to finance portions of
9 projects on a Rush campus, including the east
10 patient tower, the central plant, loading docks and
11 parking.

12 I think we're all familiar with Rush
13 Hospital. It is an academic medical center with 679
14 staff bed. They have 10,878 jobs within the City of
15 Chicago and Oak Park and Aurora and Copley.

16 This is going to be a bank direct private
17 placement with the Northern Trust Company. The
18 interest rate will be variable, 67 percent of 30-day
19 LIBOR plus 80 basis points. That's the Northern
20 Lights Rush.

21 And the underlying ratings on Rush, which
22 really are not related in a public offering, but for
23 your information, the ratings are A1, A plus, A plus
24 by Moody's, S&P and Fitch.

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1 MEISTER: And just to clarify, for the record,
2 and for the court reporter, this is not a public
3 offering.

4 LENANE: Right. It's a bank private placement,
5 direct placement, with the Northern Trust.

6 If we go to the financials, which are on
7 page 6, Rush has very strong financials, as
8 indicated by their A ratings. Their debt service
9 coverage for unaudited 2015 was 5.0, and their days
10 cash on hand was 223.

11 I have their unaudited six months, with a
12 debt service coverage of 6.2 and 214 days cash on
13 hand. It's a very strong system.

14 CHAIRMAN HORNE: Yes. Just one question for me
15 was on these refinancings, I mean, do we know what
16 rate they are financing out of and into?

17 LENANE: You know, that's an interesting
18 question. We used to always put that in what the
19 savings were.

20 CHAIRMAN HORNE: Right, that's my question.

21 LENANE: And I don't know why we, you know, we
22 lost that somewhere along the line, but I can assure
23 you it's substantial, or else they would not be
24 doing this.

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1 I think this is about a \$17,000,000
2 savings, but I haven't -- now, that's present value.

3 That's over the life.

4 FRAMPTON: Net present value.

5 LENANE: Present value.

6 CHAIRMAN HORNE: I just think that would be an
7 interesting factor the refis.

8 LENANE: It should be in here. You know, all
9 of a sudden I thought about it, as I was going over
10 this for the 17 hundredth time, and I thought, "How
11 did that drop out? We used to always say it in the
12 confidential section what the savings were."

13 Sometimes it's an approximate number,
14 but --

15 CHAIRMAN HORNE: Particularly when it's a
16 floating, you don't know for sure.

17 LENANE: Yeah. If I can --

18 CHAIRMAN HORNE: It's fine. I just was --

19 LENANE: I'll E-mail the treasurer.

20 CHAIRMAN HORNE: It sounds like it is a
21 significant savings.

22 LENANE: There is. I'll E-mail the treasurer
23 right now. They don't do it unless they save a lot
24 of money.

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1 CHAIRMAN HORNE: Understood.

2 LENANE: Because the cost and trouble of doing
3 it. Also, this particular transaction, it was a
4 letter of credit with the Northern Trust Company
5 that's going to expire, I think, within about six to
6 ten months.

7 CHAIRMAN HORNE: I see.

8 LENANE: And so --
9 FRAMPTON: They're doing it to get out of the
10 letter of credit.
11 LENANE: Well, yeah, Northern wants the money.
12 FRAMPTON: Because the fees are going to go up.
13 LENANE: Yeah, Northern wants them out of the
14 letter of credit. As we've seen, the trend is the
15 banks are getting out of letters of credit. They
16 want to have the direct purchase and hold the bond.
17 So it may not be that much, but I'll send
18 out an E-mail and maybe can have an answer for you
19 at the Board meeting.
20 CHAIRMAN HORNE: Great. Thank you.
21 LENANE: Okay. Anymore questions?
22 CHAIRMAN HORNE: None from me. So can we have
23 a motion for we have items 1A, 1B, 2, 3, 5 and 6?
24 GOETZ: So moved.
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1 CHAIRMAN HORNE: Second?
2 McCOY: Second.
3 CHAIRMAN HORNE: All in favor?
4 (A chorus of ayes.)
5 CHAIRMAN HORNE: Or do we do a roll call?
6 FLETCHER: You can do a voice vote.
7 CHAIRMAN HORNE: Okay.
8 FLETCHER: I think that is sufficient for you.
9 CHAIRMAN HORNE: Okay, great.
10 FLETCHER: To clarify. This is my
11 typographical error. So it's 1A, 1B, 3, 5 and 6,

12 not 2, the guarantee. That's my mistake. Sorry
13 about that.

14 CHAIRMAN HORNE: Oh, okay. No problem. Okay,
15 thank you.

16 FLETCHER: We have Mr. McGoetz --

17 GOETZ: Mr. McGoetz?

18 FLETCHER: I didn't get a lot sleep.

19 Mr. Goetz's motion. Who seconded?

20 McCOY: I did.

21 FLETCHER: All in favor?

22 (A chorus of ayes.)

23 CHAIRMAN HORNE: Opposed?

24 (No response.)

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1 FLETCHER: I apologize.

2 GOETZ: So on the Northwestern thing, the
3 reason I have to leave is my son works for their --

4 MEISTER: Northwest Community.

5 GOETZ: Northwest Community, not Northwestern.

6 My son works for their financial advisor. He
7 doesn't do any financial advising, but the same
8 company that he works for is the financial advisor.

9 LENANE: And I explained this to the financial
10 advisor last night so he could tell the CFO at
11 Northwest Community when Mike leaves the room.

12 CHAIRMAN HORNE: Yeah, right.

13 LENANE: They are not supposed to go "Ahhh,
14 what's happenings here?" And the comment the FAA
15 made from Kaufman Hall was, he said, "Chris Goetz is
16 a great guy. Wow, what a great guy. What a great

17 hire." The report back was all positive.

18 FLETCHER: So for purpose of the court
19 reporter, we'll note that Member Goetz has left the
20 room to recuse himself.

21 CHAIRMAN HORNE: Okay.

22 LENANE: Okay. Northwest Community Hospital in
23 Arlington Heights, Illinois, is coming for a
24 one-time Final Bond Resolution to advance refunding

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1 their Series 2008 A bonds in the amount of
2 \$116,000,000.

3 North Community -- Northwest Community
4 Hospital is rated A2, A plus, by Moody's and S&P,
5 both with stable outlooks; and the hospital just
6 applied to confirm those ratings. They are waiting
7 for them to come back. They are optimistic they
8 will get confirmation of those ratings before we get
9 to print on the OS.

10 The bonds will be sold in -- the bonds
11 will be sold in a public transaction fixed-rate
12 bond. The underwriter is Goldman Sachs. Excuse me,
13 the underwriter is Goldman Sachs, and the interest
14 rate will be determined on the day of pricing, and
15 the bonds will mature no later than 2046.

16 We have an estimated closing date of 2016.
17 This will have savings. Glen Wagner, who will be
18 here from Kaufman Hall, I'll ask him. I'll record
19 that at the Board meeting. Because that's the only
20 reason you do an advanced refunding because you're

21 going to get substantial savings.

22 If you go back to the financials on page
23 7, you'll see that Northwest Community is a strong
24 hospital, as indicated by its A rating. The debt

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1 service coverage for the audited 2015 is 2.64. In
2 unaudited three months ending 12-31-2015 is 4.32
3 with 271 days cash on hand.

4 Are there any questions?

5 CHAIRMAN HORNE: No, no questions. So I think
6 are we going to take a vote on this one as well and
7 then just recommend.

8 FLETCHER: Just to have it on the record so we
9 request a motion.

10 McCOY: So moved.

11 ZELLER: Second.

12 CHAIRMAN HORNE: Okay.

13 FLETCHER: On the motion and the second, I'll
14 call the roll of the voting members of the
15 committee. Mr. Horne?

16 CHAIRMAN HORNE: Yes.

17 FLETCHER: Mr. McCoy?

18 McCOY: Yes.

19 FLETCHER: And Mr. Zeller?

20 ZELLER: Yes.

21 CHAIRMAN HORNE: Mr. Chairman, at this time we
22 do not have sufficient affirmative votes necessary
23 to recommend for approval to the Board item No. 4.

24 CHAIRMAN HORNE: Okay, thank you. So we will,

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1 though, recommend at the Board meeting that we had
2 all our questions answered and that --
3 FLETCHER: Correct.
4 CHAIRMAN HORNE: Okay, thank you. Is there any
5 other business for today? Is there any public
6 comment? If none, I would ask for a motion to
7 adjourn.
8 ZELLER: So moved.
9 McCOY: Second.
10 CHAIRMAN HORNE: All in favor?
11 (A chorus of ayes.)
12 CHAIRMAN HORNE: Opposed?
13 (No response.)
14 CHAIRMAN HORNE: The ayes have it. Okay.
15 FLETCHER: The time is 9:11 a.m.
16 (WHICH WERE ALL THE PROCEEDINGS HAD AT 9:11 a.m.)
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PAMELA A. MARZULLO, C.S.R., being first duly sworn,
says that she is a court reporter doing business in the city
of Chicago; that she reported in shorthand the proceedings
had at the Proceedings of said cause; that the foregoing is
a true and correct transcript of her shorthand notes, so
taken as aforesaid, and contains all the proceedings of said
hearing.

PAMELA A. MARZULLO
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