

1 ILLINOIS FINANCE AUTHORITY
2 SPECIAL MEETING OF THE TAX-EXEMPT CONDUIT
3 TRANSACTIONS COMMITTEE
4 October 12th, 2017 at 8:30 a.m.
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8 Report of Proceedings had at the Special Meeting of the
9 Tax-Exempt Conduit Transactions Committee of the Illinois
10 Finance Authority on October 12th, 2017, at the hour of 8:30
11 a.m., pursuant to notice, at 160 North LaSalle Street, Suite
12 S1000, Chicago, Illinois.
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1 APPEARANCE:
2 COMMITTEE MEMBERS

3 MR. ROBERT HORNE, Chair (Via audio conference)
4 MR. JAMES J. FUENTES
5 MR. MICHAEL W. GOETZ
6 MR. LYLE McCOY
7 MS. ARLENE JURACEK
8 MR. GEORGE OBERNAGEL
9 MR. BRADLEY A. ZELLER
10 MR. ERIC ANDERBERG, Ex-Offi cio

11 ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

12 MR. BRAD FLETCHER, Assi stant Vi ce-Presi dent
13 MR. RICH FRAMPTON, Vi ce-Presi dent
14 MS. PAMELA LENANE, Vi ce-Presi dent
15 MS. ELIZABETH WEBER, General Counsel
16 MR. CHRISTOPHER B. MEISTER, Executi ve Di rector

17 GUESTS

18 MIKE FLYNN, CFO, Fri endshi p Seni or Opti ons
19 STEVE YENCHECK, CEO, Fri endshi p Seni or Opti ons
20 BRUCE DOPKE, Attorney, Stahl Cowen Crowley Addi s, LLC
21 JIM HOLBROOK, Executi ve Di rector, GreenFi elds of Geneva
22 MIKE ARMSTRONG, Fi nanci al Advi sor, Hamlin Capital Advi sors
23 DON HEMMESCH, Attorney, Smith, Hemmesch, Burke & Kaczynski
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2 VICE-CHAIR McCOY: If I can call the meeting to
3 order, will the Assistant Secretary please call the
4 roll?

5 FLETCHER: The time is 8:30 a.m. Mr. Fuentes?

6 FUENTES: Here.

7 FLETCHER: Mr. Goetz?
8 GOETZ: Here.
9 FLETCHER: Ms. Juracek?
10 JURACEK: Here.
11 FLETCHER: Vice-Chairman McCoy?
12 VICE-CHAIR McCOY: Here.
13 FLETCHER: Mr. Obernagel?
14 OBERNAGEL: Here.
15 FLETCHER: Mr. Zeller?
16 ZELLER: Here.
17 FLETCHER: Chairman Horne by audio conference?
18 CHAIRMAN HORNE: Here.
19 FLETCHER: And Chairman Anderberg ex-officio
20 non-voting?
21 ANDERBERG: Here.
22 FLETCHER: Mr. Committee Vice-Chair, a quorum
23 of the Committee Members has been constituted.
24 VICE-CHAIR McCOY: Thank you very much. Moving
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1 on to 2, adoption of the minutes from the September
2 14th, 2017.
3 Does anybody wish to make any additions,
4 editions or corrections to the minutes? Hearing
5 none, I would like to request a motion to approve
6 the minutes. Is there such a motion?
7 GOETZ: So moved.
8 FUENTES: Second.
9 VICE-CHAIR McCOY: Thank you. All those in
10 favor?
11 (A chorus of ayes.)

12 VICE-CHAIR McCOY: Opposed?

13 (No response.)

14 VICE-CHAIR McCOY: The ayes have it. Moving on
15 to 3, Presentation and Consideration of the Project
16 Reports and Resolutions.

17 I would like to ask for general consent of
18 the Members to consider the Project Reports and
19 Resolutions collectively, and to have the subsequent
20 recorded vote applied to each respective individual
21 Project and Resolution, unless there are any
22 specific Project Reports and Resolutions that a
23 Member would like to consider separately.

24 GOETZ: Yes. I would like to recuse myself

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1 from deliberations and voting on item No. 3,
2 Northwestern Memorial Hospital. My son works for
3 their financial advisor.

4 VICE-CHAIR McCOY: Okay. Thank you. I would
5 like to ask the staff now to present the Project
6 Reports and Resolutions, which will be considered
7 collectively.

8 We will consider item No. 3 separately at
9 the end. I think we're going to do item 2 first; is
10 that correct?

11 LENANE: Yes. Friendship Village of Schaumburg
12 or Friendship Village of Mill Creek, doing business
13 as GreenFields of Geneva. I'll just refer to it as
14 GreenFields of Geneva from here on.

15 We have some guests here with us today.

16 We have our counsel, Bruce Weisenthal from Schiff
17 Hardin. Next to him is Mike Armstrong from Hamlin
18 Capital Advisors, the financial advisor to
19 GreenFields. Next we have Mike Flynn, who is the
20 CFO of GreenFields.

21 Steve Yenccheck, who is the president and
22 CEO of GreenFields. Jim Holbrook, who is the
23 Executive Director of GreenFields and general
24 all-around man.

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1 HOLBROOK: Good morning.

2 LENANE: And then we have -- who are you?

3 HEMMESCH: Don Hemmesch.

4 LENANE: Don Hemmesch, Special counsel, Prince
5 of Darkness. He's the Prince of Darkness. I was
6 just repeating. And then we have Bruce Dopke, who
7 is special counsel to GreenFields for the
8 bankruptcy. Would that be right?

9 DOPKE: Yes, ma'am.

10 LENANE: Okay, cool.

11 VICE-CHAIR McCOY: Thank you all for coming in,
12 by the way today. It's appreciated.

13 LENANE: I'm going to pass around some -- just
14 some pictures, mainly of the outside of Friendship
15 Village of Mill Creek. I paid a visit out there,
16 along with our intern, Ryan, to check things out for
17 myself.

18 I mean, we've been dealing with this since
19 -- working with this project from 2008. So, anyway,
20 GreenFields of Geneva is here asking the Illinois

21 Finance Authority to approve the issuance of
22 \$67,000,000 in bonds to help them exit bankruptcy,
23 to pay off the IFA series 2010 bondholders, to fund
24 certain capital expenditures, including mold

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1 remediation and HVAC refurbishment, fund a debt
2 service reserve and operating reserve, a working
3 capital fund and a funded interest account and pay
4 cost of issuance.

5 The development of GreenFields was financed
6 with the proceeds of the Illinois Finance Authority
7 BANs (bond anticipation notes). We issued two Series
8 of notes: One in 2007 in the amount of \$5,500,000;
9 and one in 2008, in the amount of \$3,335,000.

10 Both of those Series were paid off with the
11 issuance of the 2010 bonds, totaling \$117,000,000.
12 \$19.9 million have been paid -- of those bonds have
13 been paid off, and \$97,675,000 are remaining.

14 GreenFields was developed as a continuing
15 care retirement community with 147 independent
16 living units, 51 assisted living units, 26 memory
17 support assisted living units, and 43 nursing beds.
18 The community also provides underground parking
19 garage as well as surface parking.

20 The community located in the Mill Creek
21 master plan development is surrounded by golf
22 course, park, school and a residential neighborhood.
23 Mill Creek is located in downtown -- is located in
24 Geneva, Illinois, in Kane County, which is

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1 approximately 40 miles due west of downtown Chicago.

2 The community is situated on 14 acres of a
3 26-acre campus, which includes a revitalized natural
4 stream and is bordered by golf holes from one of
5 Mill Creek's golf courses.

6 When -- in 2012, when the community
7 opened, they encountered design and construction
8 defects, including mold that delayed the opening of
9 the facilities. It was also impacted by the
10 economic recession occurring at the same time.

11 People were unable to sell their homes and
12 then have the requisite fee to -- entrance fee to go
13 into the community.

14 With the consent of the majority of the
15 bondholders, the 2010 bondholders, the community
16 retained professionals who marketed the community
17 for sale, to potentially interested parties.

18 The bondholders executed a forbearance
19 agreement and were kept advised of the status of the
20 sales of the units and the status of the mold
21 remediation on frequent investor calls, which we
22 monitored for, I think, almost two years.

23 Unable to find a suitable acquirer or
24 merger partner, on April 20, 2017, GreenFields filed

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1 for relief under Chapter 11 in the United States

2 Bankruptcy Court for the Northern District of

3 Illinois.

4 The Illinois Finance Authority retained
5 counsel, and we were kept advised of all -- we saved
6 a seat for you. This is John Bibby from Chapman &
7 Cutler, who is our bond counsel. Thanks, John.

8 The Bankruptcy Court approved Friendship
9 Senior Options. Let me explain. Friendship Senior
10 Options is the sole shareholder of -- Friendship
11 Senior Options is the sole shareholder of
12 GreenFields of Geneva.

13 They were the -- they made a bid of
14 \$52,800,000 to be funded with the proceeds of the
15 Series 2017 bond, subject to over bids. There were
16 no over bids, and now Friendship Village --
17 Friendship Senior Options and GreenFields are
18 proceeding to issue the bonds.

19 GreenFields is issuing the bonds, and they
20 will be issued and the bondholders will be paid off,
21 2010 bondholders. We calculated about 55 cents on
22 the dollar, and they will be discharged out of
23 bankruptcy with the issue of the 2017 bonds.

24 The 2017 bonds are secured by a pledge of
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1 gross revenues of the borrower of the first lien on
2 all assets of the borrower, including a mortgage on
3 the property, a debt service reserve fund and a 7.5
4 liquidity support fund to be held by the trustee for
5 the Friendship Senior Options taxable bonds.

6 That's -- we'll refer to that later. The

7 \$7.5 million in liquidity support fund will be held
8 by the bondholder representative, to be available
9 for debt service or shortfalls in cash flow to make
10 up days cash on hand.

11 GreenFields contemplates issuing
12 \$67,000,000 tax-exempt bonds that will be sold in a
13 limited public offering by Cross Point Capital and
14 purchased by investors for which Hamlin Capital
15 Management acts as investment advisor.

16 Hamlin Capital Advisors, the limited
17 special purpose financial advisor to Green-
18 Fields has certain common ownership with
19 the bondholder representative. This is all
20 disclosed in the offering memorandum.

21 Everything I'm reporting today basically
22 will be reported in the offering memorandum that's
23 being given to the prospective bondholders or purchasers
24 of the bonds.

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1 GreenFields is requesting that we issue
2 the bonds in denominations of less than \$100,000 in
3 \$25,000 denominations, no less than \$25,000. And,
4 so, that they -- so it works with their allocation
5 of funds.

6 If any of the Series 2017 bonds
7 are no longer beneficially held by Hamlin, then they
8 have to be sold in minimums of \$250,000.

9 So, we have an investor
10 letter that will be signed by the bondholder
11 representative, which has been reviewed by our

12 counsel, Bruce Weisenthal, but it's not a traveling
13 letter.

14 But because of this restriction of selling
15 the bond, if Hamlin sells the bond, they have to be
16 in \$250,000 denominations. We feel that that would
17 protect us, because anybody who is doing \$250,000
18 would be an accredited investor or a qualified
19 institutional buyer.

20 Prior to the issuance of the 2017 bonds,
21 Friendship Senior Options, the sole shareholder of
22 GreenFields of Geneva, is going to issue taxable
23 bonds, the proceeds of which will provide an equity
24 contribution of \$5,000,000 to the financing, a 7.5

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1 liquidity support agreement of GreenFields, a debt
2 service reserve fund and cost of issuance.

3 The Friendship Village -- the Friendship
4 Senior Options taxable bonds are to be guaranteed by
5 Friendship Village of Schaumburg, an affiliate of
6 Friendship Senior Options, which will be guaranteed
7 -- the guarantee will be secured by a master note
8 issued under Friendship Village of Schaumburg's
9 master indenture.

10 Friendship Village of Schaumburg is
11 also -- Friendship Senior Options is also the sole
12 shareholder of Friendship Senior Options. If we
13 look at sources and uses on page 3, of my report,
14 you will see -- you can see the FS0 equity
15 contribution of \$5,000,000.

16 The funds that are being set up, the uses,
17 capital expenditures -- well, bondholder payment of
18 \$52,800,000 which are paying off the Series 2010
19 bonds, our bondholders and IFA's bondholders.

20 GOETZ: Who are those, institutions or
21 individuals or combination?

22 LENANE: Well, they're probably primarily
23 institutions, but there could be individuals. They
24 have to respond to the information from all -- it's

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1 sent to all bondholders, right?

2 WEISENTHAL: The FSO.

3 LENANE: FSO.

4 WEISENTHAL: And the disclosure statement.

5 LENANE: The disclosure statement.

6 WEISENTHAL: In the bankruptcy.

7 LENANE: Within the bankruptcy. It gets sent
8 to all bondholders?

9 DOPKE: Yes, ma'am.

10 LENANE: And they have to respond?

11 DOPKE: They may if they want.

12 GOETZ: They have the option of converting the
13 2010 bonds to 2017?

14 DOPKE: No, sir. There's a private
15 offering that runs through Cross Fire and Hamlin.
16 So, they are getting paid out.

17 GOETZ: Fifty-five cents on the dollar.

18 LENANE: Yes, that's true.

19 DOPKE: I don't know if that figure
20 includes the trustee-held funds. It might be

21 slightly higher. But, yes, you are in the ballpark.

22 LENANE: So, we have -- in the sources and
23 uses, we have capital expenditures of \$2,500,000.
24 The working capital \$200,000. The debt service
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1 reserve \$5,000,000. Capitalized interest
2 \$3,400,000, and the operating reserve fund
3 \$3,200,000.

4 There is still \$4,000,000 worth of mold
5 remediation work to be done. Only 40% of the units
6 have been remediated, and \$4,000,000
7 is going to come out of a combination of
8 the capital expenditure fund, and the working
9 capital cash, and the operating reserve fund.

10 GOETZ: So the contractor is not on the hook
11 for any of that?

12 LENANE: Oh, yes. I didn't want to get into
13 all that, since we have limited time.

14 GOETZ: Okay.

15 LENANE: But there have been, I think, three
16 lawsuits filed?

17 YENCHECK: Three.

18 LENANE: Three.

19 YENCHECK: Just to clarify, there is the
20 initial mold situation that Pam referred to. That
21 happened at the time of opening. That has been
22 corrected. It is still in litigation.

23 There has been a second mold situation,
24 which is a completely different set of circumstances

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1 and causation factors, even though it involved some
2 of the same participants from the original scenario.

3 That's what Pam is referring to the
4 remediation that is underway right now. It's
5 40 percent. It is a different set of issues, and
6 there is different litigation associated with that.

7 LENANE: There was litigation initially on
8 construction defects.

9 YENCHECK: Which is continuing.

10 LENANE: Oh, I thought you had recovered.

11 YENCHECK: We have recovered approximately
12 \$1,000,000 on a heating, ventilation and air
13 conditioning problem in the skilled nursing area,
14 which caused the system to have to be redesigned.

15 That piece has reached settlement, but
16 that's not part of what's involved in either of the
17 mold situations that are independent events.

18 MEISTER: So, how many different distinct
19 pieces of litigation are currently pending, and how
20 many have been pending over the life of the bonds?

21 YENCHECK: The legal action that is underway
22 right now has three components to it.

23 MEISTER: And over the life of the bonds, were
24 there matters that have been resolved at this point?

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1 YENCHECK: The one that I referred to.

2 MEISTER: Okay.

3 LENANE: That you received a million?
4 YENCHECK: We received \$1,000,000.
5 LENANE: For the nursing home.
6 YENCHECK: Yes.
7 LENANE: Yes. Okay. And then there is the
8 initial mold, and then there's when they discovered
9 the mold through the whole place, right?
10 YENCHECK: One was within the walls of the
11 building. It was called a vapor-barrier issue.
12 Second had to do with mold that appeared
13 inside the air conditioning systems of individual
14 apartments. Completely different reasons for the
15 two occurrences, even though the same parties were
16 involved in much of the design and construction
17 work.
18 LENANE: And these were reputable contractors?
19 YENCHECK: Yes.
20 MS. JURACEK: Pam, given all these issues,
21 what's the occupancy rate?
22 LENANE: We're going to that next. Thank you,
23 Mayor. Let's turn to page 6.
24 MS. JURACEK: Okay.

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1 LENANE: Which has occupancy figures. Thank
2 you for the lead-in. If we look at page 6, and go
3 to the second year-to-date census, which is the
4 second block, and go to year-to-date occupancy, the
5 total census is 79.9.

6 Independent living is 86 -- does everybody

7 got it? Okay. Independent living is 86 percent.
8 Assisted living is 62.5%, and healthcare
9 center is 90 percent, making a total of 79.9. So
10 about a total census of 80 percent occupied.

11 And the independent living units -- now
12 we're going to go take this page, and let's go to
13 the -- go to page 13, and we sort of set these up so
14 they look -- you know, you can compare them. These
15 are the occupancy assumptions that will be in the
16 offering memorandum, and show that the expectation
17 is to reach 83 percent total occupancy, which is
18 really only, like, 3 percent more in 2018, going
19 from 70 -- 86 to 87 in the independent living.

20 Assisted living, going to
21 to 68 percent; and going to 93 percent
22 in the skilled nursing. Skilled nursing has never
23 been a problem, correct, once you got your Medicare
24 approval?

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1 YENCHECK: Right.

2 LENANE: You'll see this all over. Skilled
3 nursing really isn't ever a problem, is it? It just
4 doesn't make any money.

5 YENCHECK: I wouldn't go quite that far that
6 it's never a problem. That's a little generous, but
7 it has not been an issue.

8 We very well regarded in our ACL market.
9 It's a five-star rating. It's performed well for us
10 and serves the residents well.

11 LENANE: And this independent living has also

12 been not an issue, really, filling the units because
13 -- and I went out there and looked at the units.
14 They are really lovely, lovely. They're expensive,
15 but lovely. And Jim just came on board.

16 HOLBROOK: Two years.

17 LENANE: Two years. He came from Lutheran Life
18 Communities where he was --

19 HOLBROOK: 15 years.

20 LENANE: 15 years. Director of --

21 HOLBROOK: Senior VP of operations.

22 LENANE: Of operations. And Luther Village in
23 Arlington Heights, and Jim gave me a tour, and I
24 would buy a unit from Jim, I tell you. He's a sales
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1 guy, and he knows his senior living.

2 So, that's the -- but the real troublesome
3 area is the assisted living, which has been sort of
4 an issue for them filling it from the beginning.
5 You can see they are at 68.

6 Now, my only concern -- I'm probably not
7 concerned about the independent living jumped from
8 87 to 96, because I think the independent living
9 units will sell. The jump from 68 assisted
10 living, 68 percent occupancy in 2018, to 2019 of
11 83.8, I have to say that's a stretch. That's rosy.

12 They're going to have to work very hard to
13 make that jump. Yes.

14 CHAIRMAN HORNE: Pam, it's Bob. So, two
15 questions relating to this kind of absorption model.

16 One question is: It sounds like there's competition
17 in this market for this, for senior care.

18 So, I'm trying to understand these
19 absorption numbers in the context of competition,
20 and I see an assumption of 4.25 percent annual fee
21 increase, which on the surface to me seems high in a
22 climate that's competitive.

23 So, how do you -- I have a hard time
24 understanding how you get from where you are at now

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1 in occupancy to these projections which, to me, are
2 pretty aggressive, especially if you're factoring in
3 rate increases in a competitive climate. That's
4 number one.

5 Number two, how is this mold issue
6 affecting absorption, in terms of how the market
7 understands that, or does the market know about it;
8 and, you know, how is that being addressed in the
9 context of absorption of new -- of leasing up these
10 other units.

11 LENANE: Well, I'm going to let Steve and Mike
12 respond to that, but first I want to say I had that
13 same concern on the marketing with the annual
14 increase; and, you know, they have a plan.

15 I think the shadow of bankruptcy has hurt
16 them; and, also, as you mentioned, the mold. Steve
17 or Mike.

18 YENCHECK: We would be happy to address all
19 three of the points.

20 MEISTER: Steve, actually, could you come
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21 closer?

22 YENCHECK: Sure. I would be happy to address
23 all three of the points. Let me begin with the
24 rate increase question. Exactly ten years ago, in
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1 Friendship Village of Schaumburg, we published to
2 our residents a letter that we had been following
3 for the last ten years that we have the opportunity
4 to revisit on an annual basis and communicating with
5 the them about what their expectations on rate
6 increases should be.

7 And the base that we established was that
8 we would strive always to try to keep our rate
9 increases below 5 percent, and we have done that,
10 and at times we run into the 4s and the
11 4-and-a-half.

12 And at times we've run into
13 4-and-three-quarters, and other times we dropped
14 down lower, but that's been the working model that
15 we've had.

16 We think that the income levels in the
17 greater community will continue to support those
18 rates of increase, and we don't really have any
19 resistance that comes from our current residents,
20 and we share that information with prospects during
21 the time that they come in from a marketing
22 standpoint.

23 So, we are confident that we're able to
24 work within that category, and have it accepted by

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1 both the marketplace and by our current residents.

2 The second point --

3 HORNE: How does that increase compare to your
4 competitors, because I'm familiar with senior
5 housing, and that rate increase seems high to me in
6 the context of what I've seen.

7 YENCHECK: I would agree with you that our rate
8 increase may be higher than some of our competitors,
9 but it's also a question of where their entry fees
10 are relative to ours and how the whole economic
11 model works.

12 So, it's hard just to settle on one piece
13 of information here. We haven't found that it's
14 created a competitive disadvantage for us in our
15 marketing efforts. It's not something that beyond
16 the communication that I've already described, that
17 we provide at the time of marketing, that we've had
18 to develop a special strategy to go back from any
19 pushback we were receiving in the market on it.

20 VICE-CHAIR McCOY: What's the biggest
21 contributor to that? Is staffing, personnel costs?

22 YENCHECK: Personnel costs, outside of debt
23 service, are your biggest costs of operations. And
24 as you make program changes along the way, as the

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1 residents' needs change along the way, you have to
2 step in to making a more robust program, that could

3 drive your economics out there as well.

4 The other portion of it is that -- the
5 feedback from residents is critical about how
6 programs are designed, and your dining program,
7 perhaps, could be maybe the easiest example to
8 demonstrate that with.

9 You have the ability to ratchet up a
10 dining program to whatever standard that your
11 residents would like to have.

12 And as I often say, you can put lobster on
13 the menu every night if you want it that way, but it
14 has a cost impact. And, so, it affects the
15 marketability of the community. And as we position
16 to certain income and asset levels, all the programs
17 have to be adjusted along that way.

18 The second question, if I captured it
19 correctly, had to do with mold and marketplace
20 issues. I would offer this comment: Over the
21 course of the time when we've been trying to achieve
22 a refinancing of GreenFields, the mold has not posed
23 an issue from any marketing with us.

24 It's posed an issue internally from an
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1 operating standpoint, as we had to relocate
2 residents to other portions of the community so we
3 could renovate apartments in a progressive way, as
4 we had to deal with the implications of the
5 forbearance period; and, also, ultimately of the
6 bankruptcy period, and our ability to control funds

7 was controlled by others.
8 It's regulated, the pace that we've been
9 able to move through. Pam mentioned in her report
10 that about 40 percent or so of the apartments have
11 been remediated. Jim would have more
12 up-to-the-minute information on that, if the Board
13 desires it.

14 But it hasn't held us back from a
15 marketing standpoint. Not to give you kind of a
16 false sense of security about this, but it's a
17 fairly straightforward process to deal with it.
18 Okay? We know how to do deal with it.

19 Unfortunately, we had the experience,
20 prior to opening, of discovering mold in the
21 building, and although it was for a completely
22 different set of causation factors, we were able to
23 build relationships with our residents that helped
24 us through that time period.

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1 At that point in time, we lost 13
2 depositors because that all occurred right before we
3 actually had people moving into the community. As
4 we've had to deal with these events that are
5 described here as part of this remediation effort,
6 we haven't had any loss of residents along the way.

7 We have not had any residents disappear
8 from us and move out because of the bankruptcy
9 issues. So, the community has an extremely positive
10 relationships with its existing residents.

11 The other point that I would mention to
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12 that is despite both the mold situation and the
13 bankruptcy existence, the marketing program has had
14 very robust results, causing us to have to set up
15 certain escrow arrangements, things of that sort, to
16 protect resident fees along the way, but it hasn't
17 slowed down the responsiveness that the community
18 has generated to our marketing events or the sales
19 process going through the community.

20 So, that storm that we expected to be a
21 difficult one, we've managed to weather.

22 LENANE: And who would you consider your prime
23 competitors in this market area?

24 YENCHECK: Jim, why don't you speak to that
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1 point.

2 HOLBROOK: The Homestead in Batavia is the
3 closest competitor, which is within five miles, and
4 then Windermere and Windsor over in Carol Stream.
5 So, they are 15 to 14 miles away.

6 Typically, your radius is going to be in a
7 five- to eight-mile radius your competition is
8 typically coming from. Most of our residents come
9 from Geneva, Batavia, St. Charles area, and also up
10 in Huntley.

11 We have a very strong following at Sun
12 City, people relocating to our area.

13 VICE-CHAIR McCOY: The competition are about
14 the same size?

15 HOLBROOK: The Homestead does not offer life

16 care program like we do. So, it's a different type
17 of contract that we have. So, you know, we're
18 offering a type A contract where they're offering a
19 type B.

20 VICE-CHAIR McCOY: Okay.

21 LENANE: Would you explain the type A contract,
22 please?

23 HOLBROOK: Basically, we're providing life care
24 for the person at a consistent rate throughout their

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1 life with us.

2 VICE-CHAIR McCOY: Right.

3 HOLBROOK: So, that's the best way to put it.

4 LENANE: Okay, good.

5 HOLBROOK: Basically, it's, you know, providing
6 further needs throughout their life.

7 LENANE: Also, I think, the distinction between
8 the assisted living here at Friendship -- at
9 GreenFields of Geneva and assisted living
10 facilities, or assisted living in other facilities,
11 you don't have to sign -- you don't have to sign --
12 you don't have to be a resident.

13 You don't have to sign a life care
14 agreement. You can just move in and pay rent.

15 YENCHECK: That's correct. We are also unique
16 in that we do offer a life care contract in assisted
17 living. So, the prospective resident has the
18 ability to make that decision, what they feel best
19 meets their needs.

20 We're obviously advocates of the life care
Page 23

21 contract model, because what it protects for future
22 service obligations for the benefit of the
23 residents. But the assisted living marketplace is
24 more dominated by rental programs, and we have the

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1 ability to offer that as well for the outside
2 market.

3 LENANE: Do you know roughly how many people
4 have taken advantage of that?

5 YENCHECK: Mike knows that answer. I do not.

6 FLYNN: Right now, the 49 occupied units in
7 assisted living, 23 of those units were residents
8 that transitioned from independent to assisted
9 living. So, they've gone through the continuum.

10 And then we have 26 external moves, 12 of
11 them are life care contracts, and then 14 are rented
12 contracts.

13 LENANE: Okay.

14 VICE-CHAIR McCOY: Steven, thank you.

15 LENANE: I'm going to try to wrap up here.

16 HORNE: Pam, before you wrap, can I ask two
17 more questions.

18 LENANE: Oh, please, ask as many questions as
19 you want because we know you have time constraints.

20 HORNE: I was looking at the numbers carefully.
21 And I wanted to understand what was -- why is the
22 structuring agent fee would be so high in the deal? In
23 the context of other offerings that seems high.

24 And then in the 2017 actuals, why is the

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1 management fee so high, in comparison to the
2 projected, you know, annual fee going forward.
3 LENANE: Steve, Mike?
4 ARMSTRONG: Yes, sure.
5 LENANE: Mike Armstrong.
6 ARMSTRONG: This is Mike Armstrong.
7 MEISTER: Mike --
8 LENANE: Mike, you're going to have to wheel
9 up.
10 ARMSTRONG: I would say our role in this
11 transaction, Hamlin Capital Advisors is as what I
12 call deal architect. We completely crafted this
13 transaction, put together the terms under which it
14 could be executed; and, frankly, a pretty difficult
15 credit situation, working with Hamlin Capital
16 Management as the purchaser of the bonds and
17 analyzing the credit -- analyzing the future of the
18 credit, which is actually a lot of changing factors
19 here, as we discussed, and you can imagine.
20 So, that's the role we've served. And
21 then, obviously, bringing it to execution alongside
22 of the bankruptcy process. So, the role of the
23 advisor here is much greater than you would see in a
24 normal bond issue, much more of the deal architect,

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1 and that's the reason for the larger fee.
2 HORNE: What about the management

3 fee for 2017?

4 FLYNN: This is Mike Flynn. I'm the CFO. We
5 actually had a change in the way we're allocating
6 the management fee.

7 In prior years, prior to us looking
8 forward under the new financial projections, what we
9 are doing is taking the entire cost of the
10 Friendship Senior Options parent and splitting that
11 cost, the entire amount of it, between Friendship
12 Village and GreenFields, based on revenue share.

13 And we've changed that methodology going
14 forward as just a percent of revenue for
15 GreenFields.

16 So, that half million dollars, roughly
17 going forward and inflated, is really that change in
18 methodology, just a percent of our revenues.

19 So, it's a much more realistic way of
20 allocating the management fees, so it doesn't put a
21 tremendous burden on GreenFields.

22 HORNE: Was the 2.5 consistent with past fees,
23 or is that just a blip?

24 FLYNN: No, that was consistent, but actually
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1 none of those fees were paid. They were deferred.
2 So, that's all gotten written off with this
3 bankruptcy. So, going forward we'll have a clean
4 slate.

5 HORNE: So, really, the 2.5 is almost like a
6 catch-up?

7 FLYNN: I wouldn't -- no, it really was what we
8 were allocating. But, again, it was never paid.
9 So, I wouldn't even say it was a catch-up. It was
10 the way we, you know, transferred the funds.

11 HORNE: Okay. All right. That's all my
12 questions, Pam.

13 FLYNN: Thank you.

14 LENANE: Thank you. I guess just wrapping up,
15 I just would like to say -- well, we looked at the
16 projected occupancy.

17 We will be receiving -- there will be an
18 audit opinion in the offering memorandum. The audit
19 was issued by Clifton Larson Allen, an audit of FS0,
20 and its consolidated affiliates, which GreenFields
21 is part of for FY2017.

22 It will have a going concern about
23 GreenFields, because GreenFields is in bankruptcy;
24 but as soon as they come out of bankruptcy, the

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1 audit will be reissued with the going concern out.
2 It will still be a note, because it happened in the
3 past, but that will be gone.

4 I think lastly, just on pages 16 and 17, I
5 would like to note on the debt service coverage
6 ratio for 2018, they are looking at 1.12, which puts
7 them pretty close to the minimum covenant agreement
8 of 1.10.

9 They don't go into default, though, until
10 1.0, and then they get -- well, there will be an
11 ability for Hamlin Capital Management, to direct the

12 the trustee of the liquidity fund, to
13 make sure that debt service stays at 1.12.

14 And then if you go over to page 17, days
15 cash on hand is also a little bit -- it's skinny.
16 It's 147 days cash on hand in 2018, and then -- but
17 the minimum is 120; and going forward, it's actually
18 going down a little bit, but those are things that
19 will have to be monitored.

20 And I should ask Mike on behalf of Capital
21 -- bondholder representative, will you be holding
22 investor calls like monthly or quarterly status?

23 FLYNN: It's really at the bondholders'
24 request. Oftentimes, they'll request, say, a
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1 monthly call, especially during the initial phase of
2 a new bond financing, just to get updates on the
3 occupancy level --

4 LENANE: I think we would like to strongly
5 encourage that, because we would like to stay up to
6 date, like as we did during the forbearance period
7 how, you know, the sales are going.

8 ARMSTRONG: Sure.

9 LENANE: So, we would recommend that strongly.

10 ARMSTRONG: It seems like a good idea. I'll
11 convey that, Pam.

12 LENANE: Okay, great. Any questions, specific
13 questions.

14 MS. JURACEK: Just an observation. So, this
15 is, in my mind, a risky situation. We understand

16 that you got into this market in a crazy time in the
17 marketplace for this.

18 Then you had the mold problems on top of
19 it, but as I look at this, and the need for increased
20 occupancy very quickly. So, I am from Mount
21 Prospect. I'm familiar with Luther Village and
22 Friendship Village in Schaumburg, have been for a
23 long time.

24 You've got strong operating experience at
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1 Luther Village. You've got -- you know, from the
2 personnel you hired from there. Friendship Village
3 has a great reputation.

4 To me, this is the success of this is
5 going to hinge on your marketing. Consistently, I
6 read through here that you have a fair, and people
7 aren't aware that you can enter into the system in
8 various ways, and that you have Medicaid patients or
9 residents, as well as Medicare and private pay.

10 I think the marketing is going to be key,
11 and that you leverage the heck out of your
12 relationships with your surrounding municipalities,
13 and your seniors fairs through their human services
14 departments.

15 There's a need for this kind of housing,
16 and you need to better position yourself. So, you
17 know, I indicated earlier my concern was the mold
18 problem.

19 I happen to have a personal bronchitis
20 kind of thing, so I'm very sensitive to those kinds

21 of issue, and I'm sure there are others that are as
22 well.

23 But I will probably vote in favor of this,
24 just based on the strength of what I know about your

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1 operating officer's experience at Luther village,
2 which has a great reputation. I want Luther village
3 in Mount Prospect, and certainly my familiarity with
4 Friendship Village that goes back to the 1970s when
5 you guys were first built.

6 OBERNAGEL: I have one question. Some of these
7 other lawsuits there, where is that money going to?
8 Is that going to the previous bondholders, or is it
9 just going to the --

10 FLYNN: First of all, none of that is in the
11 projections, but it would come back to GreenFields.
12 So, that would be a plus for us when it's
13 settled.

14 VICE-CHAIR McCOY: Okay. Any other questions?

15 LENANE: Eric, would you like to ask about this,
16 the negatives?

17 ANDERBERG: Yeah, your projected income
18 statement?

19 Your annual projected income
20 statement, how long until you run into a surplus?

21 LENANE: Well, it had to be explained to me.
22 There's been a recent audit change in GAAP
23 accounting, and the auditors now require you to show
24 all of the entrance fees, which are about, here or

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1 there, as long-term liabilities, correct?

2 FLYNN: That is correct. In previous
3 accounting standards, what used to happen was we
4 were able to recognize our entrance fees. We got
5 roughly \$5,000,000 in entrance fees.

6 We were able to recognize the refundable
7 portion over the life of the building. So, we would
8 get several million dollars worth of revenue that we
9 could recognize.

10 Now we can't do that. So, all of that
11 potential revenue is sitting on the balance sheet.
12 So that was -- if we were able to recognize that,
13 these numbers would be probably break even-ish.

14 So, we've really focused on cash, and what
15 put this into a positive cash position really is the
16 turnover of entrance fees. We were estimating roughly
17 about \$3,000,000 a year in terms of entrance fees,
18 which puts us into a positive cash position after
19 all capital debt service, everything.

20 So, that's why cash is building slightly
21 over the years. That's really been our focus in
22 terms of running the business.

23 VICE-CHAIR McCOY: What I would like to do, if
24 there are no more questions, thank you for all your

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1 input, is I would like to call a vote now because, Bob,
2 I think we're going to lose you shortly.

3 HORNE: Yes, that's correct, Lyle.

4 VICE-CHAIR McCOY: So, if we could, will the
5 Assistant Secretary call the vote on this now? I
6 would appreciate it.

7 FLETCHER: Certainly. First we need a motion
8 and second. Would someone like to offer a motion to
9 recommend the project for approval?

10 GOETZ: I'll make the motion.

11 FLETCHER: Is there a second?

12 OBERNAGEL: Second.

13 FLETCHER: And on the motion and second, I will
14 call the roll. Mr. Fuentes?

15 FUENTES: Yes.

16 FLETCHER: Mr. Goetz?

17 GOETZ: Yes.

18 FLETCHER: Ms. Juracek?

19 JURACEK: Yes.

20 FLETCHER: Vice-Chairman McCoy?

21 VICE-CHAIR McCOY: Yes, but I would like to add
22 that I think it is tight, and I worry about what the
23 Mayor brought up with respect to these numbers and
24 some of the comments that you made with respect to

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1 getting there. So, it's yes.

2 I think, you know, the team can do this,
3 but I think it will be a stretch. So, good luck in
4 doing that.

5 FLYNN: Thank you.

6 FLETCHER: Mr. Obernagel?

7 OBERNAGEL: Yes.
8 FLETCHER: Mr. Zeller?
9 ZELLER: Yes.
10 FLETCHER: And Chairman Horne on the line?
11 HORNE: No.
12 FLETCHER: Okay. Mr. Committee Vice-Chair, the
13 motion carries.
14 VICE-CHAIR McCOY: Thank you. Now, I think
15 Mr. Frampton we'll move on to your item No. 1,
16 please.
17 FRAMPTON: Yes. We'll move on to item 1 next.
18 It's a Preliminary Bond Resolution for CHF Chicago,
19 LLC, for development of a combined student housing
20 and academic building on the campus of the
21 University of Illinois at Chicago.
22 They've dialed back a bit on their timing
23 on this. So, we're expecting CHF to come back next
24 month in November for a Final Bond Resolution. So,
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1 in light of that, I will aim for a bit of brevity
2 here.
3 The university posted a procurement in the
4 fall of 2016 to engage a department team to
5 undertake this privatized development through the
6 procurement. American Campus Communities
7 through their ACCSE Development, LLC, was selected
8 by the university.
9 American Campus Communities, Inc., is the
10 oldest and largest publicly-traded real estate
11 investment trust, exclusively focused on owning,

12 developing and managing student housing facilities.

13 ACC's NYSE ticker symbol is ACC. ACC
14 engaged all the parties in this financing, including
15 the Collegiate Housing Foundation, which will be the
16 owner of the project.

17 In order to bring down the cost of
18 development, and also to issue tax-exempt bond for
19 this financing, you have to have 501(c)(3) ownership
20 in order to make this structure work.

21 Accordingly, American Campus Communities
22 has brought in the Collegiate Housing Foundation,
23 which has formed a limited liability company to own
24 this project.

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1 This will actually be the fifth project
2 that IFA has undertaken with American Campus
3 Communities and CHF at a public university since 2006.
4 To date, we've undertaken two at Northern, at NIU,
5 one at Illinois State; and most recently in 2015,
6 one at Northeastern Illinois University.

7 All those were rated by either S&P or
8 Moody's and S&P together. In terms of the financing
9 structure here --

10 HORNE: Rich, I'm sorry to interrupt. I have
11 to step out now. I have to step into a meeting. I
12 apologize.

13 VICE-CHAIR McCOY: Thanks, Bob, appreciate it.

14 HORNE: Thank you.

15 LENANE: Thanks, Bob.

16 FLETCHER: We'll note, for the record, Chairman
17 Horne exited the meeting at 9:15 a.m. Thank you.

18 FRAMPTON: In any case, this project involves
19 the construction and department of a 550 --
20 approximately 550 bed student housing facility. I'm
21 going to pass around renderings for the project. A
22 550 bed academic building that is the mid-rise
23 building and a two-story academic building.

24 The academic facility will be 51,000

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1 square feet. It will also contain an additional
2 1,700 square foot retail space. The university is
3 going to be providing \$8,600,000 of equity, which
4 will finance 100 percent of the allocated cost of
5 the retail space, as well as a portion of the
6 academic space.

7 CHF will actually be subleasing the
8 academic building back to the university, pursuant
9 to a sublease agreement. The sublease arrangement
10 and mixed-use nature of the facility actually
11 greatly enhances the financial viability of the
12 project and reduces risk.

13 If you turn to page 16 of the report, so
14 the cash flows and revenues for this facility will
15 consist of two streams. There will be student
16 housing income from the residential rental room and
17 board contracts.

18 All those contracts will be for a
19 nine-month academic year. A five-percent vacancy
20 rate has been assumed. I would note on UIC's east

21 campus, the current occupancy rate at their two
22 clusters of student housing facilities are at 97.3
23 and 98.3 percent for the fall 2017 semester. So,
24 they are essentially fully occupied.

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1 One key driver at UIC, and this is a
2 credit positive, if you turn to page 8 of the
3 report, UIC has posted enrollment increases for the
4 last three academic years, and that is in contrast
5 to all of the other -- nearly all of the other state
6 universities; and, in fact, their fall enrollment
7 represents a record for freshman enrollment, which
8 surpassed 4,000 for the first time.

9 Additionally, their total student head
10 count is at 30,500, which is the first time they've
11 topped 30,000 students in their history.

12 So, just going back to the financial
13 forecast on page 16, the sublease payments on the
14 academic building will be fixed. They will be
15 primarily paid through an existing student academic
16 fee. That academic fee is sufficient to cover the
17 base rent on the academic space.

18 If you look at the very bottom line, the
19 break-even occupancy, thanks to the rent
20 contribution from the academic space, the break-even
21 occupancy on the student housing is only 67 percent.

22 So, that suggests we have a sound project
23 here. There are a few structuring decisions that
24 still need to be made. They are evaluating the

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1 viability of municipal bond insurance.

2 The underwriters are talking to two of the
3 monoline insurers about potentially insuring these
4 bonds. In any case, they are applying now, as of
5 yesterday, to both S&P and Moody's for a rating.

6 The expectation is a low underlying
7 investment grade rating, say, in the Baa3, BBB-
8 range for this deal. And with that, I'll
9 conclude my remarks and take any questions or
10 comments you may have.

11 VICE-CHAIR McCOY: Thanks, Rich. Pam, I think
12 it's back to you for Peace Village.

13 LENANE: Okay. Peace Village is seeking a
14 preliminary resolution. Peace Continuing Care
15 Retirement Community located in Palos Park.

16 Their preliminary resolution is for
17 \$20,000,000. They are refunding a portion of the
18 outstanding principal balance of the IFA Series 2013
19 Revenue Bond, and paying certain expenses. I can go
20 through the whole piece.

21 GOETZ: It's just a refinancing?

22 LENANE: Yes. It's a bank-direct purchase, for
23 the bank to be selected by borrower. We will have
24 that the next time. There's no rating on Peace.

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1 Financials show good coverage 1.62 and 155
2 days cash on hand the estimated. The estimated

3 present value of the savings is almost \$2.3 million,
4 which is 17.8 percent of the refunded bonds. So,
5 that's a big savings. Okay. Questions?

6 VICE-CHAIR McCOY: I think it's pretty
7 straightforward. Thank you.

8 LENANE: It is. It is.

9 VICE-CHAIR McCOY: And then item 5?

10 LENANE: Northwestern.

11 FLETCHER: No, Iowa.

12 LENANE: Oh, Iowa. Iowa Health System, doing
13 business as UnityPoint, and this is Pekin Hospital,
14 already came to the Board in September of 2017 to
15 request the approval of a \$20,000,000 bond financing
16 to finance cost of the acquisition of land and
17 construction of a medical office building located at
18 3591 Griffin.

19 The resolution was passed. Subsequently,
20 we held the TEFRA -- subsequent to that, the
21 borrower discovered that they -- one of the projects
22 to be financed had not been included, and it was
23 worth a value of about \$1.3 million, and it's
24 located at the Pekin Memorial Hospital, itself, and

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1 it was included -- wasn't included.

2 So, it's located at 600 South 13th Street,
3 Pekin. So, the TEFRA was held yesterday. There was
4 no opposition, because it's pretty straightforward,
5 and they need the amended resolution, in order to
6 get the Governor's letter. So, it's pretty

7 straightforward.

8 VICE-CHAIR McCOY: Perfect. Thank you. I

9 assume no questions on that. If I can, then I would

10 like to request a motion to pass and adopt the

11 following Project Reports and Resolutions: 1, 4 and

12 5, since we've already voted on 2.

13 Is there such a motion?

14 GOETZ: So moved.

15 FUENTES: Second.

16 VICE-CHAIR McCOY: Thank you. Assistant

17 Secretary, can you call the roll, please?

18 FLETCHER: Certainly. On the motion and

19 second, I'll call the roll. Mr. Fuentes?

20 FUENTES: Yes.

21 FLETCHER: Mr. Geotz?

22 GOETZ: Yes.

23 FLETCHER: Ms. Juracek?

24 JURACEK: Yes.

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1 FLETCHER: Mr. Vice-Chair McCoy?

2 VICE-CHAIR McCOY: Yes.

3 FLETCHER: Mr. Obernagel?

4 OBERNAGEL: Yes.

5 FLETCHER: Mr. Zeller?

6 ZELLER: Yes.

7 FLETCHER: Mr. Committee Vice-Chair, the motion

8 carries.

9 VICE-CHAIR McCOY: Member Goetz is now

10 departing the room. We're going to move on to --

11 what is it, 3?

12 FLETCHER: Let the record reflect, please,
13 Member Goetz has recused himself from deliberations
14 by existing the room.

15 LENANE: Number 3, yes.

16 VICE-CHAIR McCOY: Northwestern Memorial.

17 LENANE: And I'll do this real quick, because
18 this is preliminary and will be back again.

19 Northwestern is seeking Preliminary Bond
20 Resolution approving the issuance of \$750,000,000 in
21 bonds. And it's about \$558,000,000 is a refunding
22 of various bonds from hospitals that they've
23 acquired.

24 They are still deciding what to do, so
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1 that will come in the final, but they are going to
2 reimburse themselves for the construction of the new
3 hospital in Lake Forest, which is \$185,000,000.

4 That created 240 construction jobs while
5 it was being built, I think over 18 months, two
6 years. Oh, you live up that way. You probably
7 know.

8 VICE-CHAIR McCOY: I do.

9 LENANE: And that's the project. I could tell
10 you all about Northwestern. I'll do that in the
11 meeting.

12 Their long-term ratings are A2 by -- Aa2
13 by Moody's and AA plus by S&P. The bonds will be
14 sold in the public market by Barclays and Wells
15 Fargo. The rates will be determined on the date of

16 pricing.

17 They have incredibly strong financials,
18 9.4 debt service coverage and 420 days cash on hand.
19 Any questions?

20 VICE-CHAIR McCOY: Okay. Thanks, Pam. Okay, I
21 would like to request a motion to pass and adopt the
22 following project report item 3. Is there such a
23 motion?

24 OBERNAGEL: Mr. Chairman?

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1 VICE-CHAIR McCOY: Thank you. Second?

2 FUENTES: Second.

3 VICE-CHAIR McCOY: Thank you. Will the
4 Assistant Secretary please call the roll?

5 FLETCHER: On the motion and second,
6 Mr. Fuentes?

7 FUENTES: Yes.

8 FLETCHER: Ms. Juracek?

9 JURACEK: Yes.

10 FLETCHER: Mr. Vice-Chairman McCoy?

11 VICE-CHAIR McCOY: Yes.

12 FLETCHER: Mr. Obernagel?

13 OBERNAGEL: Yes.

14 FLETCHER: And Mr. Zeller?

15 ZELLER: Yes.

16 FLETCHER: Mr. Committee Vice-Chair, the motion
17 carries.

18 VICE-CHAIR McCOY: Thank you very much. Other
19 business? Is there any other business to come
20 before the Committee?

21 Hearing none, is there any public comment
22 for the committee? That being the case, hearing
23 none, I would like to request a motion to adjourn.
24 Is there such a motion?

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1 FUENTES: So moved.
2 JURACEK: Second.
3 VICE-CHAIR McCOY: Thank you. All those in
4 favor?
5 (A chorus of ayes.)
6 VICE-CHAIR McCOY: Opposed?
7 (No response.)
8 VICE-CHAIR McCOY: The ayes have it. Thank
9 you.
10 FLETCHER: The time is 9:27 a.m.
11 (WHICH WERE ALL THE PROCEEDINGS HAD at 9:27 a.m.)
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1 STATE OF ILLINOIS)
2)SS:
3 COUNTY OF C O O K)

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 hearing.

11
12 PAMELA A. MARZULLO
13 License No. 084-001624
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