ILLINOIS FINANCE AUTHORITY
SPECIAL MEETING OF THE TAX-EXEMPT
CONDUIT TRANSACTIONS
FEBRUARY 9, 2017 at 8:30 a.m.

REPORT OF PROCEEDINGS had at the Special Meeting of the Tax-Exempt Conduit Transactions Committee of the Illinois Finance Authority on February 9, 2017, at the hour of 8:30 a.m., pursuant to notice, at 160 North LaSlle Street, Suite 5-1000, Chicago, Illinois.

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COMMITTEE MEMBERS:
MS. ARLENE JURACEK

MR. MICHAEL W. GOETZ
MR. LYLE McCOY
MR. GEORGE OBERNAGEL
MR. BRADLEY A. ZELLER
MR. R. ROBERT FUNDERBURG, Ex-Officio (via audio conference) (Added)

MR. JIM FUENTES
MR. ROBERT HORNE (via audio conference)

ILLINOIS FINANCE AUTHORITY STAFF MEMBERS:
MR. CHRISTOPHER MEISTER, Executive Director
MR. BRAD FLETCHER, Assistant Vice-President
MR. RICH FRAMPTON, Vice-President
MS. ELIZABETH WEBER, General Counsel

GUEST:
MR. MATT MULE, Ziegler
MR. STEVE JOHNSON, Ziegler (via audio conference)

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VICE CHAIRMAN MCCOY: I would like to call the meeting to order. Will the Assistant Secretary please call the roll?
FLETCHER: Certainly. The time is 8:30. Chairman Horne on the phone?
HORNE: Yes, here.
FLETCHER: Mr. Goetz?

GOETZ: Here.

FLETCHER: Miss. Juracek?

JURACEK: Here.

FLETCHER: Mr. Obernagle?

OBERNAGEL: Here.

FLETCHER: Mr. Zeller?

ZELLER: Here.

FLETCHER: Vice Chairman McCoy?

VICE CHAIRMAN MCCOY: Here.

FLETCHER: Mr. Vice Chair, at this time we have a quorum of Committee Members.

VICE CHAIRMAN MCCOY: Moving forward, I would like to -- any changes to the December 8, 2016 minutes from this group? Does anyone wish to make any additions, edits, corrections to the minutes of said meeting?

ZELLER: Mr. Vice Chairman, on the front page

of the minutes it says Friday, February 9th., So with that correction.

FLETCHER: Duly noted.

VICE CHAIRMAN MCCOY: Appreciate that. Thank you. Any other comment? If not, is there a Motion to Approve the minutes, please?

OBERNAGEL: So moved.

GOETZ: Second.

VICE CHAIRMAN MCCOY: All those in favor?

(A CHORUS OF AYES)

VICE CHAIRMAN MCCOY: Presentation and consideration of the project reports and resolutions.

I would like to ask for the general consent of the Members to consider the project reports and resolutions collectively and have the subsequent recorded vote applied to each respective individual project and resolution.

Unless there is any specific projects, reports and resolutions that the Member would like to consider separately? If not then, I would like the staff now to present the projects, reports and resolutions, which we'll consider collectively. Thank you. Mr. Frampton?

FRAMPTON: Thank you, Mr. McCoy. We'll begin

with Tab 1, which is also Page 23 in the tax exempt packet. Montgomery Place is an Illinois non-for-profit corporation requesting approval of a preliminary bond resolution and in an amount not to exceed $40 million. As presently contemplated in the sources and uses of funds presented on Page 1 of the report, the proceeds of the 2017 bonds would be used to current refund the borrower series 2006 A bonds. The principal outstanding amount of which is approximately $30.2 million. And proceeds will also be used to fund up to $8 million in new capital improvements at the existing project to upgrade the facility.

Additionally, bond proceeds may also be used to the fund the debt service reserve on the fixed rate bond series and to pay cost of issuance.

Terms of background on the corporation. Montgomery Place was incorporated under Illinois laws, a non-for-profit in 1987. Montgomery Place currently operates one facility which is an existing continuing care retirement community for seniors located in Hyde Park near The University of Chicago. The site is noted on -- the site location is on Page 5 of the report. It's immediately north of the Museum of Science & Industry. In terms of the property, it consists of 217

senior units overall and includes 155 independent living units, 14 assisted living beds, 8 memory support units and 40 skilled nursing beds that offer long-term and rehabilitative care.

In the terms of the original 2006 bonds, the original principal amount issued back in 2006 was $40.8 million. Since then it's been paid down by approximately $10.6 million to $30.2 million. The original proceeds were used to renovate and reconfigure Montgomery Place as an existing facility. They reduced the skilled nursing bed count from 93 to 40. At the same time they increased the mix of independent living beds and added 22 assisted living beds, including 8 memory support units.

Again, based on the sources and uses of funds, approximately $8 million would be used to fund renovations at the facility as well as to capitalize the new debt service reserve and pay costs of issuance.

In terms of the structure of this financing, as presently contemplated, there would be two series of bonds. One would be publicly sold by Ziegler to the markets on a non-rated basis. The other series would be purchased directly by First Midwest Bank. Each series would be in the amount of

approximately $18 million.

In terms of our recommendation, we're recommending approval of both series of bonds. But I would note that the $18 million series to be sold by Ziegler, will be refunding bonds. The underwriter and borrower are requesting a waiver of IFA Standard Bond Denomination Policy. I should note that because the bonds are being issued to refund or restructure, non-rated -- outstanding non-rated bonds of the Authority that are non-investment grade rated, because this refinancing is expected to result in reduced debt service payments that is a scenario under which the Bond Handbook provisions allow for bonds to be sold based on this exception.

So consistent with the requirements to sell non-rated bonds on a refunder, we're recommending approval of that as well.

Just in terms of the financials, those are noted on Pages 6 and 7 of the report. You'll note that in 2015 in particular, debit service coverage was below 1.0 times. That reflected the refunds that Montgomery had to make on two projects that involved early cancellations. Those entrance fees had to be refunded. As a result of that, if you look at EBIDA

plus net entry fees, that's the numerator of the debt service coverage ratio. So due to the fact that there were these entrance fees that were refunded, you can see that adjusted EBIDA was down approximately $600,000 from 2014, and as a result of that debit service coverage was less than one time. Because of that, also the .87 debt service coverage triggered a covenant default on the debt service coverage ratio. Montgomery Place was required to bring in an independent consultant to review their operations.

Among the recommendations were increases in fees, a renewed focus on marketing. Montgomery Place ended up replacing their contractual marketing firm. In addition to that, the crux of the report was that Montgomery Place needed to focus in particular on increasing occupancy on the independent living units, because the entrance fees that are brought in by those are a key driver of cash flows and those are all private pay.

In addition to the independent living units, they are also, as I noted, 22 assisted living beds and 40 skilled nursing beds. On the skilled nursing side, out of the 40 beds, the historical mix of payments has been 50 percent private pay, 45 percent

Medicare and five percent Medicaid.

Subsequent to year end in 2015, Montgomery Place has been successful in executing new contracts on independent living units since the end of -- well, from 12/31/2015 to 12/31/2016. They have bumped up occupancy by six units, which brings them to the point of having sufficient independent living unit occupancy to meet their debt service coverage ratio. And based on an EMMA filing that they posted just a couple of weeks ago, Montgomery Place for the six months ended 12/31/2016 posted debt service coverage of 1.36.

And as a matter of fact, even by year end, June 30, 2016, Montgomery Place was in compliance with all their financial covenants. So they -- the hiccup in 2015 was due to the refunds. They recovered from that, plus they followed the guidance that was provided in the consultant's report and they delivered on improving revenues both through unit lease up and rate increases. So with that, I'll' conclude my remarks. Is there any questions?

GOETZ: Did they go ahead and hire an independent marketing person, have they hired somebody? Because their occupancy is still below 80 percent,

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which is better, but still not that great.

FRAMPTON: In addition to the 76 percent to 80 units they have under contract, they still have another 27 units where they have had move outs where they are awaiting resales. They still retain those entrance fees, but they are receiving income from the entrance fees. So they do -- they still do have some work to do..

GOETZ: Did they hire a marketing person?

FRAMPTON: They had an external firm that they replaced. And in addition of that, they hired a

new marketing persons.
GOETZ: Wasn't that one of the recommendations, wasn't it?
FRAMPTON: Yes. In addition to that in June of 2016, Montgomery Place hired a new CEO.
GOETZ: Yes.
VICE CHAIRMAN MCCOY: Where would you sort of traditionally expect it to be 90 percent occupancy, something like that?
GOETZ: I run a supportive living facility and it is 100 percent occupied 100 percent of the time. Maybe that is because of the market I'm in. I don't know. And, you know, senior living facilities are in

very high demand right now.
JURACEK: There's usually a waiting list.
FRAMPTON: And that clearly is not the case here. One of the other things that was noted in the marketing report was essentially this facility also competes with the Admiral. So they're competing at the high-end of the market.
GOETZ: Yes, it is high-end.
FRAMPTON: One of the barriers that they had to contend with on this one is their entrance fees are relatively high compared to a lot of the competition. And as that report also acknowledges, it's difficult to adjust entrance fees downward without provoking your existing resident population and families. So that's kind of a tough spot to work out of.
HORNE: I would be curious just how would the

physical building is in comparison. You mentioned the Clare. You mentioned the Admiral, which are both brand new facilities. The other part of this capital program for this refi is to upgrade common areas. I don't know what condition the bedrooms are, but I would think that an issue from these guys is just competitively the quality of the property itself. You can't -- if you want to be in Hyde Park, you are not going to be in a

better location with those lake views. Locationally, it's a great location. But I don't know if the quality of the physical plant is in comparison to those other newer properties.

FRAMPTON: The building was substantially and in many spots gut rehabbed in 2007. The facility was originally opened, I believe, in the early '90s.

HORNE: Really that building looks likes it has been there since the turn of the century.

FRAMPTON: It was gut rehabbed in the early '90s.

MR. JOHNSON: It is Steve Johnson. I'm on the line here. It was a brand new building in 1990. They moved from an old nursing home owned by the Episcopal Church and had donated this site and built this building near a high-rise. And then they renovated it completely, largely completely in 2007. And individual units, as they have been turning over, they have been modernizing them with new kitchens and new bathrooms.

HORNE: So in that context, how would you compare physically to some of the competitive -- if that is not the reason that -- so what is the reason that their occupancy has been held up.

MR. JOHNSON: Two observations. One is the psychographic areas. The Admiral caters to the north side. The Clare caters to the Gold Coast and Hyde Park is kind of its own animal. And Hyde Park is very much a rental community. There are a lot of naturally recurring retirement communities. A lot of those high-rises in the neighborhood are filled with, you know, people who have aged in those units. So they -- and the price points are lower.

So what they did in 2007 was they came up with this idea of having part entrance fee, part rental to cater to the market. And for the price point they charge compared to the high-rises in Hyde Park, they are perfectly appropriate for the market they attract. But it's a very different market than the Admiral, the Clare. And the Clare, who we know well, people at the Admiral that we know well, all would agree with Montgomery Place is very rarely do they have people seriously shopping more than one. They want to stay in their neighborhood.

VICE CHAIRMAN MCCOY: Thank you, Steve.

HORNE: The depth of the market is not there.

MR. JOHNSON: They have a CEO that had been there for years. And I think it's fair to say that they made the change last year, because the Board was not satisfied with the performance. So when Debra came in, she changed the marketing firm they were using. They were reworking their pricing. Their reworking their positioning and that's why since last August they have gotten a definite pop. So we would anticipate they continued to migrate back up to what had been historically fairly solid occupancy levels over time.

HORNE: What is the entrance fee for that property?

MR. JOHNSON: In the 250, 350 range. Some are a little higher.

HORNE: And is that treated as capital or do those dollars come in to pay down debt?

MR. JOHNSON: Now they have been open so long that that is 32 million, 30 million we talked about here. So it is not like the newer communities where we are paying down debt. They are held on the balance sheet. And then in new entrance fees pay to the existing residents. So the first generation entrance fee has already been collected.

HORNE: Okay.

FRAMPTON: One other thing about the new CEO, earlier in her career she had been the CFO of

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Montgomery Place. So she knows the property and project very well. Any other questions?

FUNDERBERG: This is Rob, and I had a comment also. I've been on since a little bit after 8:30

Central Standard Time. In regards to the Clare, the last time I checked, it was about a two-year waiting period from when you signed on to the waiting listing. So you had the opportunity to pick one of the available apartments. So the demand there is very, very -- I think in terms of comparison, Clare, Admiral and Montgomery, I completely understand and it makes sense that the geographical and other differences, I think that is the reason why we should very closely consider, you know, they have an opportunity to help make Montgomery as successful as any of those others.

VICE CHAIRMAN MCCOY: Thank you, Rob.

MR. MEISTER: And then Brad Fletcher, we are going to make sure that the record reflects Mr. Funderberg joined approximately at 8:33 a.m..

FLETCHER: Duly noted.

VICE CHAIRMAN MCCOY: No further questions.

FLETCHER: Members, next is Tab 2 in your Board book, which is a preliminary bond resolution on behalf of Three Crowns Park in a not to exceed an

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amount of $45 million. Three Crowns Park is a not-for-profit full service CCRC located in Evanston. While non-Secretarian, Three Crowns Park was orginally established in the late 1800s with the immediate goal of providing for Swedish laborer who are suffering due to adverse working conditions. Over time and more recently, the organization went through a corporate restructuring in the early 2000s when a strategic planning initiative resulted in Three Crowns Park serving a broader community with extensive renovation and expansions at the campus.

Three Crowns now offers independent living, assisted living, memory care and healthcare households complimented by an array of modern amenities again located on their 7-acre campus.

Much of the expansion and renovation was financed by IFA through issuance of approximately $56 million of tax exempt debt back in 2006 through four subseries, 2006 A, 2006 B1 of 2006 B2 and 2006 C. While Three Crowns has since paid off its B2 and C series, the 2006 A and B1 bonds are remaining outstanding in aggregate amount of approximately $35 million.

At this time, Three Crowns is requesting

our approval to refund these outstanding bonds to achieve interest rate savings as well as finance approximately $4 million of various renovations throughout its campus.

The plan of finance contemplates a public offering underwritten by Ziegler Capital Markets for the refunded portion of the transaction. While the new money tranche will be a bank direct purchase through a bank to be named later when it returns for final bond resolution approval in the coming months.

Three Crowns Park is a non-rated entity. And accordingly this request will include a waiver of our Bond Denomination Policy. In 2006, the bonds were sold in $5,000 minimum bond denominations because they had a feasibility study. As the public offering tranche will be a refunding, the established waiver will still then allow for non-rated debt to be sold into the capital markets at $5,000 minimal bond denominations.

As for a new money component, the approximate $4 million will be a bank direct purchase, which by definition is an accredited investor.

Turning to Page 5 in your Confidential Section. Miss Lenane provided the historical financial

information. It shows Three Crowns Park has compounding annual revenue growth of approximately 6.27 percent it's last three fiscal years, with independent living accounting for 42 percent or more of unrestricted revenues.

Furthermore, accounts receivable over the last three fiscal years is down over 50 percent, which is a strong indication of effective management for this private pay only retirement community. It is not subject to Medicare and Medicaid reimbursement.

As Three Crowns Park is a non-rated entity, I did take the opportunity to spread the financials. And after reviewing their audits, we will perform the forecast for the next two fiscal years. As a result of that forecast, we show that Three Crowns Park will generate operating cash flows to cover proposed debt service by multiples of at least 1.7 times or better over the next two fiscal years.

Finally, with respect to census

information Three Crowns Park, I'll note that from 2015 to 2016 Three Crowns Park increased its overall community by eight residents, so now 214 overall. The primary driver for this increase year over year was an increase in the McDaniel Courts Building which houses

their independent living apartments.

At this time, I could take any questions.

GOETZ: What does that make your occupancy rate? Do you have any idea?

FLETCHER: I don't. I apologize.

MULE: 88 percent overall.

GOETZ: Thank you.

MULE: Stabilized occupancy usually is around 90 percent, 90, 95.

VICE CHAIRMAN MCCOY: It is good to note in here that there is a, you know, ten extra full-time jobs.

FLETCHER: Oh, absolutely. Sure. They haven't delineated from my understanding of what their various campus renovations will be. That will all be fleshed out when it comes back for the final approval. Most likely the common areas, things of that nature.

MULE: For the most part it's capital expenditures, but the bulk of it is being spent on -- matter which is there. They have got 25 units of independent living there right now. They are converting eight of those to assisted living. Obviously it's a higher level of care.

VICE CHAIRMAN MCCOY: Any other questions?

HORNE: I know very well, and I think the competitive landscape in the North Shore right now, there is way less as far these higher end communities and this property in that category. And so I think right now, that class in general in the North Shore, unlike Hyde Park example, rental is now out of options because of the higher end products. Three Crowns will do very well on this corner right now.

VICE CHAIRMAN MCCOY: Thank you. No other questions. Item 3.

FRAMPTON: Item 3 is an amendatory resolution from Mount Carmel High School. Mount Carmel High School and Wintrust Bank, the bond purchaser, are requesting approval of an amendatory resolution to increase the not to exceed principal amount of IFA Educational Revenue Bonds Series 2016 issued on behalf of Mount Carmel High School from $22 million to $26 million. This bond closed on August 1, 2016 with proceeds to be used by Mount Carmel to one, refund the current at that time $13.2 million outstanding balance on it's IDFA series 2003 revenue bonds. Two, refinance certain taxable indebtedness, and three, to finance various capital improvement projects at Mount Carmel's

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campus, including mechanical system upgrades, life, safety improvements, environmental remediation, and other miscellaneous improvements.

Here is the reason for today's request from Mount Carmel and Wintrust. Within two weeks of closing the 2016 bonds in August, Mount Carmel received notice that it would be receiving targeted pledges for the new capital improvements more rapidly than they had anticipated at the time of issuance, which will require Mount Carmel to repay principal earlier than they had anticipated. So the early collection of pledges was going to mean they were going to have to pay down the bonds more quickly than they had anticipated. So in order to provide Mount Carmel with the $22 million of tax exempt financing that they had wanted, bond counsel, Wintrust and Mount Carmel went back to the drawing board to look at other projects that they had under development. And what has come out of that is an accompanying resolution which will increase the not to exceed amount of the bond issue from $22 million to $26 million. In connection with this action, which includes an expanded scope and dollar amount of projects, bond counsel also prepared a new TEFRA hearing for an amount not to exceed $26 million. Had

all this been know just three weeks prior, bond counsel could have simply revised the bond resolution, the documents and re-TEFRA the deal at $26 million. Since that didn't happen, we're coming back for these amendments.

In terms of fee, we'll be collecting a $7,000 fee at closing. As a result, IFA will be over the two issuances collecting what we would have charged had we issued $26 million upfront in August. So this is a very unusual set of circumstances. I have never seen early collections on pledges drive a restructuring like this or reconfiguration as quickly as ever before. But this is just an example of what we try to do to work with our borrowers to accommodate them. And I think we've reached a fair and effective solution.

So with that, I'll ask if there are any questions.

VICE CHAIRMAN MCCOY: Thank you. Move on to Number 4.

FLETCHER: Next is Tab Number 4. This is a request for final bond resolution on behalf of Smart Hotels Olympia Chicago LLC and BMO Harris Bank. Back in 2010, they issued recovery zone facility bonds which was a special bond product offered through the American

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Recovery and Reinvestment Act of 2009 for Smart Hotels for the acquisition of land and development of the hotel near the University of Chicago located East 52nd Place and Harper Avenue. That hotel today is known as Hyatt Place Chicago South University Medical Center.

In terms of the original transaction, the original par amount was $21.5 million. That was directly purchased by MB Financial Bank with a guarantee from the University of Chicago. At this time, they are seeking our approval for a refunding of that transaction, and BMO Harris Bank will become a borrower's new relationship lender and a guarantee will not be required at this time since the hotel is stabilized after construction.

There is no TEFRA hearing here because it is just a refunding, which is again why we could issue the bonds since the recovery zone facility bonds has since expired. We don't have the ability to issue those bonds anymore. If there was an extension of the weighted average maturity here, we wouldn't be able to take part in this deal.

One final note, I wanted to note that our estimated administrative fee here will be $29,600. That is a reduction of our standard fee schedule

because of the special type of bond this is and there are limited options in terms of refunding.

Finally, I also note we did request their current employment. They have currently 40 full-time equivalence. In 2010 when this IFA board approved the transaction, they predicted 27. They beat their own estimate. Are there any questions?

VICE CHAIRMAN MCCOY: Thank you guys for the presentations. I would like to request a motion to adopt the following projects, reports and resolutions, 1, 2, 3 and 4. Is there such a motion?

GOETZ: So moved.

JURACEK: Second.

VICE CHAIRMAN MCCOY: Would Assistant Secretary call the roll?

FLETCHER: Certainly. Chairman Horne on the phone?

HORNE: Yes.

FLETCHER: Mr. Goetz?

GOETZ: Yes.

FLETCHER: Miss Juracek?

JURACEK: Yes.

FLETCHER: Mr. Obernagel?

OBERNAGEL: Yes.

FLETCHER: Mr. Zeller?

ZELLER: Yes.

FLETCHER: And Vice Chairman McCoy?

VICE CHAIRMAN MCCOY: Yes.

FLETCHER: The motion carries.

VICE CHAIRMAN MCCOY: Thank you. Is there any other business to come before this Committee?

MR. MEISTER: Mr. McCoy, if I may? I would like to extend a special note of thanks to Rich Frampton and to Brad Fletcher. Senior living is typically under the jurisdiction of Pamela Lenane. Pam is making a special trip out of town with one of the Authority's longstanding and important borrowers at their request. But I think that both Rich and Brad did an excellent job with Montgomery Place, Three Crowns.

I also would just like to note that senior living, and I think the robust discussion here really reflects that it has been a business line for the Authority that is more complex than some of our other transactions. But I think that it's an important business line. It helps us push forward with an important part of the Authority's mission.

I would also just like to note that the

Mount Carmel and Smart Hotels transactions really

demonstrate the ongoing need for the Authority to meet regularly and to be constituted because it's very, very important that we're able to house here on the State side institutional memory and then be there for borrowers over years and decades from a longevity perspective.

VICE CHAIRMAN MCCOY: Well, said, Chris. And for myself and for everybody on this Committee, I think that staff did a very, very good job in presenting. So, thank you.

Moving on, is there any public comment to the Committee? Hearing none, I would request a Motion to Adjourn. Is there such a motion?

OBERNAGEL: So moved, Mr. Chairman.

ZELLER: Second.

VICE CHAIRMAN MCCOY: All those in favor?

(A CHORUS OF AYES)

VICE CHAIRMAN MCCOY: Opposed.

(NO RESPONSE)

FLETCHER: The time is 9:06 a.m.

(The meeting was adjourned at 9:06 a.m.)

STATE OF ILLINOIS)

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COUNTY OF C O O K)

C E R T I F I C A T E

The within and foregoing hearing was taken before GWENDOLYN BEDFORD, Certified Shorthand Reporter in the City of Chicago, County of Cook and State of Illinois, and there were present at the hearing Counsel as previously set forth.

The undersigned is not interested in the within case, nor of kin or counsel to any of the parties.

IN TESTIMONY WHEREOF, I have hereunto set my hand this 17th day of January, 2017.

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GWENDOLYN BEDFORD, C.S.R.
No. 084-003700

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