ILLINOIS FINANCE AUTHORITY

CONDUIT FINANCING COMMITTEE MEETING

December 10, 2019, at 8:30 a.m.

REPORT OF PROCEEDINGS had at the Conduit Financing Meeting of the Illinois Finance Authority on December 10, 2019, at the hour of 8:30 a.m. pursuant to notice, at 160 North LaSalle Street, Suite S-1000, Chicago, Illinois.

APPEARANCES:

CHAIRMAN LYLE McCOY, (via audio conference)

MR. ERIC ANDERBERG

MR. JAMES J. FUENTES

MR. MIKE GOETZ

MR. WILLIAM HOBERT

MS. ARLENE JURACEK

MR. JEFFREY WRIGHT, (via audio conference)

ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

MR. CHRISTOPHER MEISTER, Executive Director

MR. BRAD FLETCHER, Vice President

MS. ELIZABETH WEBER, General Counsel and Legal Advisor to the Board

MR. MIKE S. MOSS, Associate General Counsel

MS. SARA PERUGINI, Vice President(via audio conference)

MR. RICHARD FRAMPTON, Executive Vice President

MS. LORRIE KARCHER, Program Administrator, Loans and Guarantee/Agriculture

SULLIVAN REPORTING COMPANY, by

Renee E. Brass, CSR, RPR.

FUENTES: Who is on the call?
KARCHER: Lorrie Karcher, from Mt. Vernon.
McCOY: Lyle McCoy. And thank you for subbing in for me.
PERUGINI: Sara Perugini here as well.
FUENTES: I've been asked by the Executive Director to lead this meeting of the Conduit Financing Committee as Chairman McCoy will be participating via audio conference today.

I would like to call the meeting to order.

Will the Assistant Secretary please call the roll.
MOSS: Thank you. The time is 8:30 a.m.

James Fuentes.
FUENTES: Here.
MOSS: Mike Goetz.
GOETZ: Here.
MOSS: Will Hobert.
HOBERT: Here.
MOSS: Arlene Juracek.
JURACEK: Here.

MOSS: Jeffrey Wright.
And Lyle McCoy.
McCOY: Here.
MOSS: Chair Anderberg, ex-officio nonvoting.
Member Fuentes, a quorum of the committee members has been constituted. We did just have -- who just joined?
WRIGHT: Jeffrey Wright.
MOSS: Let the record reflect that Jeffery Wright has joined.
MEISTER: And Mr. Anderberg is running late.
FUENTES: Does anyone wish to make any additions, edits or corrections to the minutes from November 12, 2019?
(No response.)
FUENTES: Hearing none, I would like to request a motion to approve the minutes. Is there such a motion?
HOBERT: So moved.
JURACEK: Second.
FUENTES: All those in favor?
(Chorus of ayes.)

FUENTES: Opposed?

(No response.)

FUENTES: The ayes have it.

I would like to ask for the general consent of the members to consider each of the new business items collectively and to have the subsequent recorded vote applied to each respective individual item unless there are any specific new business items that a member would like to consider separately.

GOETZ: I would like to recuse myself from deliberations and voting with respect to Item No. 7, Advocate Health Care, on the new business items because I have a family member who works for the financial advisor.

FUENTES: Thank you. We will consider Items 1 through 6 and 8 and 9 first under a consent agenda, then we will consider Item 7 separately.

Mr. Frampton.

FRAMPTON: Thank you, Member Fuentes.

Tab 1 in the Board book, this may also be found on Page 21 of the Conduit Financing

Committee packet is a preliminary bond resolution being requested by Roosevelt University. The not-to-exceed amount is $15 million.

Roosevelt is requesting your consideration and approval of this preliminary bond resolution to establish an expenditure reimbursement date.

Under the Internal Revenue Code, the preliminary bond resolution from the IFA Board represents an action declaring official intent. That's what the purpose of this preliminary bond resolution is.

Accordingly, approval of this resolution would provide for expenditure reimbursement eligibility on the scope of proposed expenditures described in paragraph 1 of the purpose in the Board summary report.

All such expenditures would be covered provided that they're incurred up to 60 days prior to today's preliminary bond resolution approval date or October 11, 2019, so any expenditures relating to what is described within the scope of the resolution would be covered beginning October 11 and going forward.

In terms of the scope of the proposed expenditures, they include, one, paying or reimbursing the university for the payment of the costs of acquiring certain assets of Robert Morris University; two, paying or reimbursing Roosevelt University for the payment of the costs of acquiring fixtures, furniture and equipment, making improvements to Roosevelt and/or Robert Morris leased and/or owned facilities and relocating staff and programs, paying costs of issuance on the proposed IFA bonds and the resolution provides for establishing intent for expenditure reimbursement to the extent allowed under the IFA Act and the Internal Revenue Code of 1986.

The resolution also authorizes the Authority's staff to proceed with publication of a TEFRA hearing, public notice for the financing as required under the Internal Revenue Code for all private activity bond financing.

Just to be clear, the prospective locations covered by this resolution will cover all Roosevelt and Robert Morris owned or leased facilities and campuses.

Roosevelt has two campuses, one in downtown Chicago, and a second in Schaumburg, while Robert Morris has six locations including downtown Chicago, Arlington Heights, Elgin, Orland Park, Peoria and Waukegan.

This request and the associated preliminary bond resolution will represent the next step forward for Roosevelt and Robert Morris Universities as they pursue their planned merger originally publically announced on October 2, 2019, which was the date on which Roosevelt submitted an application to the Higher Learning Commission to make Robert Morris University Illinois a part of Roosevelt and concurrent with Roosevelt's submission of a merger application proposal to the Higher Learning Commission.

The planned merger is also subject to approval by the Illinois Board of Higher Education and by the respective governing boards of each university.

Spring 2020 is the anticipated timeline for delivering approval according to published reports.

This project will be returned to the Board for a bond resolution likely in advance of obtaining the regulatory approvals. The whole reason for that is they want to be able to spring into action and close this deal as soon as practicable.

I would also note that given the preliminary initial nature of the University's request, this report is subject to substantial revision as facts are publically disseminated between now and the time the transition terms are fully negotiated, the bond issue is documented and the University returns to IFA for consideration.

Additionally, pursuant to Section 3 of the resolution, the term of this preliminary bond resolution is limited to one year from today. Accordingly, the University will have a period of one year in which to finalize the terms of this proposed financing and return for consideration of a final bond resolution and to also close and fund this deal.

In terms of the bond structure, the proposed IFA Series 2020 bonds will be purchased directly. They will be ultimately underwritten and sold in a nonrated private placement to Preston Hollow Capital, LLC of Dallas, Texas.

Preston Hollow is the owner of the -- they are the initial owner of approximately $195 million of IFA refunding bonds that were issued in 2018 and earlier this year in 2019. PHC is also the authorized bond owner representative for those prior 2018 and 2019 bonds, and Preston Hollow is authorized as the bond owner representative to approve and authorize the issuance of new additional debt by the university.

So Preston Hollow as the owner of

the 2018 and '19 bonds controls whether the University is able to incur additional debt, and they are going to permit this to go forward, so there are a couple of conditions. The University must satisfy a minimum specified appraised real estate/total debt ratio.

Matters relating to the real estate appraisals are covered towards the -- on Pages 17 through 19 of the Board report. The combined appraised values of the properties total $368.8 million. Those appraisals were ordered by Preston Hollow and completed over the past year.

Again, the total debt of the University is roughly $230 million at the present.

Roosevelt will be selecting an underwriter for this deal. They will be announced, and the bond documentation will commence after the underwriter is selected.

Once that happens, bond documentation will begin and once completed to the mutual satisfaction of all the parties, including IFA's counsel, Roosevelt will return to the IFA Board for consideration of a final bond resolution.

Just in terms of financial performance, historical financials are discussed on Pages 12 through 14 of the report.

Key metrics for -- operating metrics for most private universities in Illinois, just about all of them have been -- have experienced substantial enrollment declines. That's true of both Roosevelt and Robert Morris.

One of the hoped-for outcomes of this merger is they will be able to consolidate and reduce fixed overhead, as well as controlling operating expenses and providing a larger base of students to cover their remaining overhead.

As reported on Page 14, Roosevelt has already focused on expense control, and as you can see in the chart in the middle of Page 14, they have undertaken efforts to reduce faculty and staff head count.

Page 15 reports forecasts. Conservatively combined enrollment is forecast at roughly 6,050 students. That is our, IFA staff's, conservative estimate. There's nothing publically available, even regarding the fall 2019 enrollments yet, but this provides a reasonable basis for forecasting both revenues and expenses, as well as overhead going forward, and the forecast shows that based on an assumption that this would drive both a 45 percent increase in revenues and expenses that Roosevelt would -- the combined Roosevelt would continue to be able to service that at pretty much at -- in a manner consistent with historical levels.

With that I'll conclude my remarks and turn things over to you for any questions or comments.

JURACEK: This is all contingent on the merger being completed?

FRAMPTON: Yes. The financing ultimately will be contingent upon that, so what I expect is this will return to the

Board. It will be contingent upon all the regulatory approvals and the respective approvals of each board, of each governing board.

Any other questions?

McCOY: Rich, it's Lyle. Just as a point of clarification. On the structure, Page 2 or bottom Page 1, start of Page 2, you talk about the initial private placement purchaser will be Preston Hollow, and then it will be privately placed. How does that work?

FRAMPTON: Okay. Roosevelt will engage an underwriter, but there will be a private placement agreement and an initial investor letter under which all of the -- this initial series of 2020 bonds, they will be sold in their entirety as far as we know right now to Preston Hollow.

McCOY: So Preston Hollow will -- okay. I thought that was the case, but I wasn't sure.

FRAMPTON: Yeah. I don't think we have ever had an instance where the private placement purchaser has been identified without an underwriter being identified upfront, so that is kind of an idiosyncratic point.

McCOY: My only comment, I know this is just a preliminary thing, but in general the history with this creditor over the last few years gives me some heartache. I know that new management has come in and they have restructured things and moving forward, but I think we have to see what's going to happen with the merger and also what's going to happen with respect to looking forward.

I know they're successful in managing some costs, but how does that look like going forward and also what the revenues will look like, what the student growth, et cetera, will look like, because I think this has some challenges.

They are working through them and obviously has the support of folks like Preston Hollow, but it will be interesting to when it matures a little and we see it come back to see what the numbers really do look like.

FRAMPTON: Additionally, too, one thing I just want to point out is that many of Roosevelt's faculty members are covered by a collective bargaining agreement. None of Robert Morris are, and for that reason, even when this returns for a final bond resolution, it's not likely that they will be in a position to even know what their forecast faculty retention is going to be. It's just not going to be known at that point.

McCOY: Okay.

MOSS: I'd like the record to reflect that Mr. Wright has entered the room -- no. Mr. Anderberg.

Mr. Anderberg. I'm so sorry.

FRAMPTON: Okay.

FUENTES: Let's go to item 2, University of Chicago Medical Center. Ms. Perugini.

PERUGINI: Good morning. Item No. 2 in your Board book is a final resolution for a not-to-exceed amount of $50 million for the

University of Chicago Medical Center. Bond proceeds will be used by the University of Chicago Medical Center who is the borrower to refund all or a portion of the outstanding Series 2009B bonds and to pay cost of issuance.

Under borrower's description there are details about the three hospitals operated by the borrowers and also mention of the obligated group, University of Chicago Medical Center and Ingalls entities affiliated in 2017, and earlier this year, the Authority assisted in bringing in the Ingalls entities into the obligated group.

If you look under credit indicators, the Series 2009B bonds are currently rated, but the new Series 2020 bonds will not be rated as they will be directly purchased through JP Morgan Chase Bank.

Such purchase will comply with the IFA bond program handbook policies with respect to nonrated bonds, so no exception to the IFA bond program handbook is being requested.

Regarding the structure, if you

turn to Page 2 of your Board book, the series 2009B bonds will be issued on a forward basis -- excuse me, the Series 2020 bonds will be issued on a forward basis. This means a forward bond purchase agreement will be executed it looks like this week.

At the time that the Board books were printed, they were anticipating December of '19.

But the forward bond purchase agreement will set the interest rate for the bonds now. However, the bonds will not be funded and settled until May 18, 2020, or within 90 days thereafter.

May 18, 2020, is the first date that the Series 2009B bonds can be called prior to the August 19, 2020, redemption date. The transaction is structured this way so the borrower can take advantage and secure the current low interest rate. In essence, this structure creates a synthetic advanced refunding.

If you look also on Page 2, you can see the estimated sources and uses.

Flipping to Page 4, you can see that the new interest rate is estimated not to exceed 3.5 percent.

On Page 7, University of Chicago Medical Center service area is detailed, and if you turn to Page 8, you can see our estimated fees and also the obligated group financials for the year ended on June 2017 through 2019.

You will see EBITDA and revenues have grown each year. Debt service and days cash on hand are strong.

And, finally, at the bottom of Page 8, the estimated net present value savings of this refunding is approximately $4.3 million.

Does anyone have any questions or comments?

(No response.)

Okay. Thank you.

FUENTES: Okay. Let's go to Item 3, Notre Dame College Prep.

FLETCHER: Tab 3 in your Board books is a final bond resolution on behalf of Notre

Dame College Prep in a not-to-exceed amount of $7 million.

Founded in 1954 by the Congregation of Holy Cross, Notre Dame College Prep is a private Catholic all male high school located in Niles, which serves an average of approximately 730 to 750 students primarily drawn from Chicago, Morton Grove, Niles, Park Ridge.

To the transaction, the plan of finance seeks to refund the outstanding IFA Series 2009 bonds with a new bond issue that will be purchased in whole by Wintrust Bank. The final maturity date will not exceed 20 years from the date of issuance and remain consistent with the final maturity date of the Series 2009 bonds being refunded, in other words, April of 2039.

Very quickly, turning to Page 5 of the confidential section of the report, because the high school is a nonrated entity, we provided a three-year historical financial summary, as well as a four-year financial forecast.

In summary, the school posted operating net losses in 2017 and 2018 that reflect a significant depreciation or a non-cash expense.

Additionally, in May 2017 the school entered into a forbearance agreement with Fifth Third Bank as a successor to MB Financial as a sole bondholder of the IFA Series 2009 bond due to the school's violation of financial covenant that, among other requirements, provided that the school maintain a minimum unrestricted cash in investments of at least $11 and a half million.

The forbearance agreement is still in effect as the school has been unable to raise the necessary capital required of the financial covenant, but, very importantly, the school has not missed any principal or interest payments at this time.

Furthermore, the school has worked to clean up its balance sheet during the last several years.

Accordingly, approximately

13 months after entering into the forbearance agreement in June 2018, so last year, the Catholic Order of Foresters participated with MB Financial Bank to become a subordinate lender.

This meant that approximately $13,350,000 of exposure was reduced by 50 percent to MB Financial Bank at the time.

And, furthermore, in October 2018 the school obtained a release of an obligation to repay a $4.7 million loan, a noninterest bearing loan, I should add, to the priests of Holy Cross for the prior purchase of property located at the school's campus, so those were two significant steps to clean up the school's balance sheet.

Accordingly, the second step, in October of last year, there was a forgiveness of the loan, reduced the school's overall long-term indebtedness by approximately 35 percent at the time.

So now the third step, pursuant to the forbearance agreement with Fifth Third Bank, the school is required on or before

October of this year to submit a commitment letter from a new bank to refinance the 2009 bond. Wintrust Bank did provide that commitment letter, and they are accordingly before us today for our consideration.

Although the proposed IFA Series 2019 bond will reduce the school's fixed charges somewhat, the accompanying financial forecast that we have provided does not envision substantial enrollment growth, but rather very conservative estimates of tuition increases consistent with the last three fiscal years.

Based on this assumption and others that are noted in the confidential section of the report, we forecast the school will generate sufficient operating cash flows to cover the associated debt with the IFA Series 2019 bond, as well as the continued subordinate debt with the Catholic Order of Foresters by multiples of 1.5, three times or better.

A quick note, the subordinated loan with the Catholic Order of Foresters will consist of interest-only payments during the next five years, so, of course, that helps generate sufficient operating cash flows and reduce debt service charges.

And a final note, Notre Dame College Prep has posted strong and improving days cash in investment estimates which was at least 144 days of operating expenses during the last three years.

Of quick note, our analyst, Malcolm Simmons, helped with the financial analysis here, and so I would like to thank him for his efforts there, and I can answer any questions.

(No response.)

FUENTES: Hearing none, Item 4, beginning farmer bond, Elsberry.

KARCHER: I'm sorry. I didn't mean to interrupt. Item No. 4 is a one-time final bond resolution requesting approval for a beginning farmer bond on Joshua Nicholas Elsberry, who is purchasing 27 acres of farmland in Edgar County in the not-to-exceed amount of $97,250. First Neighbor Bank is the purchasing bank of this conduit transaction.

That concludes the beginning farmer bond.

FUENTES: Okay. Item 5, Community High School District 99, DuPage County.

FLETCHER: We have approximately five minutes left, so I'll be very brief.

This transaction was before us in May of this year. We issued approximately $52 million. They are now returning for the final tranche of bonds, so this will be a new bond issue in the approximate amount of $75,950,000.

You'll note that the Board book that we mailed last week indicated it was only $70 million. We received a request late Friday evening to increase that amount pursuant to the voter referendum that was approved by the voters in the district, so this final financing that is going through the Authority will complete the overall $136 million master facility plan.

The district is still rated AA by

S&P, and we expect S&P to affirm that rating.

GOETZ: What's the total amount?

FLETCHER: $75,950,000. The bond resolution that will be in your folders before you at the Board meeting will reflect that higher amount. The notice did as well.

FRAMPTON: Brad, we have a little bit of time, so you don't need to rush.

FLETCHER: Okay.

FUENTES: Any questions?

(No response.)

FUENTES: All right. Item 6, Elmhurst College.

FLETCHER: Next is Item 6, a bond resolution on behalf of Elmhurst College, as a 501(c)(3)entity, the college issued its refunding bond through IFA in 2016, in order to refund its then outstanding portion of debt associated with the IFA Series 1998 and Series 1999 cultural pool bond financings.

The 2016 refunding bond was issued in an approximate amount of $20,200,000 and purchased in whole by BBVA Mortgage Corporation. Pursuant to the bond and loan agreement entered into at the time, the Series 2016 bond is bearing a variable rate of interest based on LIBOR for an initial term of approximately five years that would otherwise end this coming February 1, 2022, with a final maturity date of March 1, 2028.

Now, the bank and borrower are asking for our consent to decrease the effective interest rate borne on its Series 2016 bond by approximately 60 basis points, as well as extend their relationship between the borrower and the bank approximately six years through maturity.

The outstanding principal amount of the Series 2016 bond is approximately $15,200,000 at this time, so in the past three years they have paid down $5 million of principal.

Chapman & Cutler is bond counsel in this transaction and they have opined that a TEFRA hearing is not necessary.

Our fee is listed on the confidential section of Page 7 of the report.

I can answer any questions.

(No response.)

FUENTES: Hearing none, Item 8, Rosecrance, Inc. bond trust indenture and amendments.

PERUGINI: Item No. 8 in your Board book is a memo and resolution for Rosecrance, Inc., relating to amendments for its Series 2012A and Series 2012B bond indentures.

The Series 2012A and Series 2012B bonds are each in an index rate period where the index rate is based on LIBOR.

The bonds are privately held , and the banks holding the bonds have agreed to extend the index rate period to maturity, but as a condition, the banks would like the definition of LIBOR to be amended as LIBOR is scheduled to be phased out by the end of 2021.

IFA staff recommends approval.

Does anyone have any questions or comments?

(No response.)

FUENTES: Okay. Let's go to Item 9, allocation request for calendar year 2020, private activity volume cap.

FRAMPTON: Thank you, Mr. Fuentes.

Item 9 is a resolution of intent requesting an initial allocation of calendar year 2020 private activity volume cap in the amount of $120 million.

This bond allocation will enable the Authority to issue both beginning farmer bonds and industrial revenue bonds for manufacturing projects. They must use current year volume cap, hence our request.

We would anticipate consistent with prior years that we would allocate up to $10 million for beginning farmer bonds and the remaining $110 million for industrial revenue bonds.

Are there any comments or questions?

(No response.)

FUENTES: Hearing none, I would like to request the motion to recommend approval of the following new business items: Items 1, 2, 3, 4, 5, 6, 8, 9. Is there such a motion?

GOETZ: So moved.

JURACEK: Second.

FUENTES: Will the Assistant Secretary please call the roll.

MOSS: On the motion and second, I'll call the roll.

Mr. Fuentes.

FUENTES: Yes.

MOSS: Mr. Goetz.

GOETZ: Yes.

FUENTES: Mr. Hobert.

HOBERT: Yes.

FUENTES: Ms. Juracek.

JURACEK: Yes.

MOSS: Mr. Wright.

WRIGHT: Yes.

MOSS: And Chair McCoy.

McCOY: Yes.

MOSS: Member Fuentes, the motion carries.

FUENTES: Thank you. Before we consider Item 7, I'd like to ask Mr. Goetz to exit the room.

MOSS: Let the record reflect that Member Goetz has recused himself from deliberation by leaving the room.

FUENTES: Ms. Perugini, Advocate Health Care Network.

PERUGINI: Item No. 7 in your Board book is a memo and resolution for Advocate Health Care Network relating to amendments they would like to make to Series 2008A bonds and accompanying documents.

Specifically this resolution relates to the Series 2008A-1 and Series 2008A-2 bonds as the IFA approved similar amendments to the Series 2008A-3 bonds earlier this year.

The Series 2008A-1 and A-2 bonds are each operating in long-term interest rate periods and are subject to mandatory tender in January and February 2020 respectively.

It is expected at that time the bonds will be remarketed to a new long-term interest rate period.

Advocate is locking the market and has not yet determined the duration of such period and is contemplating taking the bonds out to maturity.

Also, in connection with the

remarketing, Advocate may want to remarket the bonds at a premium or discount. This is not currently allowed under the indenture, so the indenture would have to be amended.

If the bonds are remarketed at a premium, Advocate would receive a portion of the bonds using that premium.

Also, in connection with the remarketing, Advocate may waive its right to call the bonds.

Again, all these decisions are market driven and will be made closer to the mandatory tender date.

Bond counsel has also informed us that depending on the structure, there may be re-issuance for tax purposes.

Advocate desires to preserve flexibility to be able to best take advantage of market conditions and the underlying resolution details of these different scenarios and approves the execution and delivery of the underlying documents to make them possible.

Does anybody have any questions or

comments?

(No response.)

FUENTES: Okay. Thank you. I would like to request a motion to recommend for approval the following new business item: Item No. 7. Is there such a motion?

HOBERT: So moved.

JURACEK: Second.

FUENTES: Will the Assistant Secretary please call the roll.

MOSS: On the motion and second, I'll call the roll.

Mr. Fuentes.

FUENTES: Yes.

MOSS: Mr. Hobert.

HOBERT: Yes.

MOSS: Ms. Juracek.

JURACEK: Yes.

MOSS: Mr. Wright.

WRIGHT: Yes.

MOSS: And Chair McCoy.

McCOY: Yes.

MOSS: Member Fuentes, the motion carries.

Let the record reflect that Mr. Goetz has returned.

FUENTES: Is there any other business to come before the Committee?

(No response.)

FUENTES: Hearing none, is there any public comments for the Committee?

(No response.)

FUENTES: Hearing none, I would like to request a motion to adjourn. Is there such a motion?

GOETZ: So moved.

JURACEK: Second.

FUENTES: All those in favor?

(A chorus of ayes.)

FLETCHER: The ayes have it.

The time is 9:03.

(Whereupon the above matter was adjourned.)