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1 ILLINOIS FINANCE AUTHORITY BOARD  
 2 BOARD OF DIRECTORS SPECIAL MEETING  
 3 May 24, 2016, at 9:30 a.m.  
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 5 Report of Proceedings had at the  
 6 Meeting of the Illinois Finance Authority Board  
 7 of Directors Special Meeting on May 24, 2016,  
 8 at the hour of 9:30 a.m. pursuant to notice,  
 9 at 160 North LaSalle Street, Suite S1000,  
 10 Chicago, Illinois.  
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1 APPEARANCES:

2 ILLINOIS FINANCE AUTHORITY BOARD OF DIRECTORS  
 3 MR. R. ROBERT FUNDERBURG, Chairman (Via audio  
 4 conference)  
 5 MR. JAMES J. FUENTES  
 6 MR. LERRY KNOX  
 7 MS. ARLENE JURACEK  
 8 MR. LYLE MCCOY  
 9 MR. TERRY O'BRIEN  
 10 MR. ROGER POOLE  
 11 MR. MORTY TESSLER  
 12 MR. BRAD ZELLER  
 13 MR. JOHN YONOVER (Via audio conference)  
 14 MR. ERIC ANDERBERG  
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 16 ILLINOIS FINANCE AUTHORITY STAFF MEMBERS  
 17 MR. BRAD FLETCHER, Assistant Vice-President  
 18 MR. RICH FRAMPTON, Vice-President  
 19 MS. PAMELA LENANE, Vice-President  
 20 MR. CHRISTOPHER B. MEISTER, Executive Director  
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1 CHAIRMAN FUNDERBURG: I will go ahead and  
 2 call our special meeting on May 24th to order.  
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3 Mr. Fletcher, will you please  
 4 take roll.  
 5 FLETCHER: The time is 9:30. I will call  
 6 the roll of members physically present in the  
 7 room. Mr. O'Brien?  
 8 O'BRIEN: Here.  
 9 FLETCHER: Mr. Tessler?  
 10 TESSLER: Here.  
 11 FLETCHER: Mr. Zeller?  
 12 ZELLER: Here.  
 13 FLETCHER: Mr. Poole?  
 14 POOLE: Here.  
 15 FLETCHER: Mr. McCoy?  
 16 MCCOY: Here.  
 17 FLETCHER: Mr. Knox?  
 18 KNOX: Here.  
 19 FLETCHER: Ms. Juracek?  
 20 JURACEK: Here.  
 21 FLETCHER: Mr. Fuentes?  
 22 FUENTES: Here.  
 23 FLETCHER: Mr. Anderberg?  
 24 ANDERBERG: Here.

1 FLETCHER: At this time we have a quorum of  
 2 Members physically present in the room.  
 3 I will ask at this time if there  
 4 are any Members participating by audio  
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5 conference?  
 6 CHAIRMAN FUNDERBURG: Yes. This is Rob  
 7 Funderburg, Chairman, I'm requesting that I  
 8 attend via audio conference due to employment  
 9 purposes. Anybody else?  
 10 YONOVER: John Yonover, I'm requesting  
 11 participation by audio, also due to employment  
 12 reasons.  
 13 CHAIRMAN FUNDERBURG: Anybody else? If  
 14 not, is there a motion to approve the request  
 15 pursuant to the bylaws and policies of the  
 16 Authority?  
 17 ANDERBURG: So moved.  
 18 POOLE: Second.  
 19 CHAIRMAN FUNDERBURG: There's a motion and  
 20 a second. All those in favor, please say aye.  
 21 (A chorus of ayes.)  
 22 CHAIRMAN FUNDERBURG: Opposed?  
 23 (No response.)  
 24 CHAIRMAN FUNDERBURG: Okay. Mr. Fletcher,

1 would you please confirm that I and John  
 2 Yonover are participating via audio conference?  
 3 FLETCHER: The Assistant Secretary can  
 4 confirm and we can continue.  
 5 CHAIRMAN FUNDERBURG: I really didn't pick  
 6 that up.  
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7 FLETCHER: Yes, Mr. Chairman, we may  
 8 continue at this time.  
 9 CHAIRMAN FUNDERBURG: Okay. Thank you. I  
 10 have no remarks. Executive Director Meister,  
 11 any remarks?  
 12 MEISTER: Yes. Thank you, Mr. Chairman.  
 13 Again, I would like to thank Chairman  
 14 Funderburg and all of the Members of the  
 15 Authority who came together at very short  
 16 notice on this important matter.  
 17 The call went out pursuant to the  
 18 bylaws and the statute on Friday afternoon.  
 19 The normal Authority procedure whereby Rich  
 20 Frampton, a member of our staff, and one of our  
 21 Vice-Presidents chaired the internal credit  
 22 review on Friday afternoon, so we went through  
 23 our normal due diligence and procedures.  
 24 Also last Thursday, Pam and I met

1 with Mr. Michael Englehart and Mr. James Kelly,  
 2 the CEO and the CFO of Presence Health,  
 3 respectively, and we went over both the request  
 4 and the current situation.  
 5 So, again, I'd like to emphasize  
 6 my thanks to all of the volunteer Members of  
 7 the Authority for being as responsive at very,  
 8 very short notice.  
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9 And if the Chair were -- none of  
 10 the Members have any questions for me, I think  
 11 that we can turn it over to our Vice-President,  
 12 Pamela Lenane, Mr. Chairman.  
 13 CHAIRMAN FUNDERBURG: Okay. Thank you,  
 14 Chris. Ms. Lenane, would you please present  
 15 the project report and resolution.  
 16 MS. LEHANE: Yes. Mr. Chairman and Members  
 17 of the Board: Presence Health Network is  
 18 requesting a Final Bond Resolution to approve a  
 19 series of tax exempt and taxable bonds in the  
 20 amount of \$530 million to refund their Series  
 21 2013 A through F bonds, in addition to taxable  
 22 loans with Bank of America and PNC.  
 23 Presence is the largest Catholic  
 24 health system in Illinois, as well as the

1 largest provider of Medicaid services and  
 2 behavioral healthcare services.  
 3 Presence employs 20,000 people.  
 4 Presence operates 11 acute care hospitals and  
 5 27 senior care services. They have hospitals  
 6 in Des Plaines, Evanston, Aurora, Elgin,  
 7 Joliet, Kankakee, Urbana and Danville.  
 8 Currently, they're rated Baa2 by  
 9 Moody's, BBB- by S & P, and BBB by Fitch.  
 10 The bonds will be purchased  
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11 directly by J.P. Morgan Securities for an  
 12 initial period of up to 18 months.  
 13 Presence intends to convert or  
 14 refund these bonds into a longer term  
 15 financing.  
 16 The bonds will have a variable  
 17 rate of interest at 70 percent of one month  
 18 LIBOR plus 1.50 percent for the tax-exempt  
 19 bonds and a hundred percent of one month LIBOR  
 20 plus 225 percent -- 2.25 percent for the  
 21 taxable bonds. One month LIBOR was .44 percent  
 22 yesterday.  
 23 Now, I would like to turn the  
 24 presentation over to Michael Englehart, the CEO

1 of Presence Health Network, and Jim Kelly, the  
 2 Chief Financial Officer of Presence Health  
 3 Network, to discuss their current financial  
 4 situation, how they got to where they are, why  
 5 they are doing this financing and -- at this  
 6 time and their key initiatives going forward.  
 7 Thank you.  
 8 MR. ENGLEHART: Good morning. I am Mike  
 9 Englehart, President and CEO of Presence  
 10 Health.  
 11 First of all, Mr. Chairman and  
 12 Members of the Board, thank you so much for

13 coming together on short notice.  
 14 In particular, I know two of you  
 15 traveled quite a long distance, Mr. Poole and  
 16 Mr. Zeller. So thank you so much for getting  
 17 up early and coming on short notice.  
 18 There's a couple of points I'd  
 19 like to just reiterate in the opening  
 20 statements that the -- that you have in front  
 21 of you.  
 22 Presence Health has been together  
 23 for just over four and a half years. The  
 24 previous organizations were Provena and

1 Resurrection. Came together four and a half  
 2 years ago.  
 3 But it's really important that  
 4 you appreciate that there are five founding  
 5 orders that actually have history that dates  
 6 back over 150 years serving Illinois and the  
 7 Chicago--I and market.  
 8 Those five orders are Franciscan  
 9 Sisters of Sacred Heart, the Servants of the  
 10 Holy Heart of Mary, the Sisters of the Holy  
 11 Family of Nazareth, the Sisters of Mercy of  
 12 Americas, and the Sisters of the Resurrection.  
 13 I share that with you because  
 14 it's important and most people don't always

15 appreciate the amount of Medicaid and care that  
 16 we provide in some of the most challenging  
 17 areas throughout the State of Illinois. We  
 18 have a deep history and we are committed to the  
 19 State of Illinois and the Chicago-I and market.  
 20 I was afforded the opportunity to  
 21 become the President and CEO back in October of  
 22 last year. I've been working in this  
 23 marketplace for over 20 years.  
 24 I think most of you appreciate

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1 whenever a merger occurs, it can be quite  
 2 challenging. You have people, process,  
 3 technology and culture.  
 4 I think what we've come to  
 5 appreciate since coming on board is that while  
 6 there's been a lot of great work done, there  
 7 are a couple of steps that were missed. You've  
 8 read it in the newspaper and you appreciate  
 9 that we've hit a couple of speed bumps when it  
 10 comes to some basic core disciplines that we  
 11 need to have in healthcare, billing  
 12 collections, pre-certifying. These are key  
 13 elements in order to ensure that you get paid  
 14 appropriately.

15 We take on some of the toughest  
 16 challenges within the healthcare arena, so we  
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17 have to get paid.  
 18 When I came on board in October,  
 19 I asked a series of questions and came to  
 20 appreciate that our accounts receivables were  
 21 not being worked aggressively and they were  
 22 potentially overstated.  
 23 I think all of you have seen in  
 24 the newspaper that we had a sizable write-down

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1 to the tune of about \$186 million dollar loss.  
 2 I'm happy to tell you, though,  
 3 since we identified that issue, we quickly  
 4 worked towards rectifying and solving these  
 5 issues, installing more discipline when it  
 6 comes to finance, more discipline when it comes  
 7 to the revenue cycle, working with our  
 8 associates and doctors who appreciate our  
 9 current position and really push towards best  
 10 practices.

11 Since we have identified the  
 12 problem, we've made significant improvements,  
 13 changes in management and feel like we're on  
 14 the right track. In fact, we're already ahead  
 15 of schedule versus what we anticipated through  
 16 the first quarter. So we're pleased with the  
 17 results today.

18 When unfortunately we had the  
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19 sizeable write-down, it resulted in a technical  
 20 default. And I think that's really important  
 21 that you appreciate that.  
 22 We have over \$900 million in the  
 23 bank. The issue, though, is once you trip a  
 24 technical default, you end up in a conversation

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1 with the shareholders and in particular the  
 2 banks. And in good faith we have continued to  
 3 work with them, but simultaneously we pursued a  
 4 second strategy, and that was potentially a  
 5 bridge.

6 We are in unique times right now  
 7 with interest rates at all-time lows, and the  
 8 delta between AAA and our current rating are  
 9 some of the narrowest it's ever been.

10 So simultaneously we followed two  
 11 strategies. And this today brings us to the  
 12 conclusion of what we think is the right thing  
 13 to put Presence Health on firm footing on a  
 14 go-forward basis.

15 So that's why we are here today.  
 16 Again, we are very, very thankful for you  
 17 coming together in short order.

18 We plan on providing care for the  
 19 next hundred years in the State of Illinois.  
 20 At this point, I'd be happy to  
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21 answer any questions that you might have.  
 22 MEISTER: Mr. Chairman? Mr. Chairman, any  
 23 questions?  
 24 CHAIRMAN FUNDERBURG: I have no questions.

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1 I just asked does anybody else have any  
 2 questions? If not, then is there a motion to  
 3 pass and adopt the project report and  
 4 resolution for Presence?

5 JURACEK: So moved.

6 ANDERBERG: Second.

7 CHAIRMAN FUNDERBURG: Then we have a motion  
 8 and a second.

9 Mr. Fletcher, will you please  
 10 take the roll call vote.

11 FLETCHER: Certainly. On the motion and  
 12 the second, I'll call the roll in alphabetical  
 13 order. Mr. Anderberg?

14 ANDERBERG: Yes.

15 FLETCHER: Mr. Fuentes?

16 FUENTES: Yes.

17 FLETCHER: Ms. Juracek?

18 JURACEK: Yes.

19 FLETCHER: Mr. Knox?

20 KNOX: Yes.

21 FLETCHER: Mr. McCoy?

22 MccOY: Yes.

23 FLETCHER: Mr. O'Brien?  
24 O'BRIEN: Yes.

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1 FLETCHER: Mr. Poole?  
2 POOLE: Yes.  
3 FLETCHER: Mr. Tessler?  
4 TESSLER: Yes.  
5 FLETCHER: Mr. Yonover on the phone?  
6 YONOVER: Yes.  
7 FLETCHER: Mr. Zeller?  
8 ZELLER: Yes.  
9 FLETCHER: And Mr. Chairman on the phone?  
10 CHAIRMAN FUNDERBURG: Yes.  
11 FLETCHER: Mr. Chairman, at this time the  
12 motion carries.  
13 CHAIRMAN FUNDERBURG: Is there any other  
14 business to come before the Board? Okay. If  
15 not, then I'd like to request a motion to  
16 excuse the absences of Members unable to  
17 participate today. Is there such a motion?  
18 KNOX: So moved.  
19 McCOY: Second.  
20 CHAIRMAN FUNDERBURG: All in favor, please  
21 say aye.  
22 (Chorus of ayes.)  
23 CHAIRMAN FUNDERBURG: All right. Any  
24 public comments at this point?  
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1 (No response.)  
2 CHAIRMAN FUNDERBURG: There being no public  
3 comments, I'd like to note that our next  
4 regular meeting of the Board is scheduled for  
5 June 9th, 2016.  
6 And at this point I'll entertain  
7 a motion to adjourn the meeting.  
8 O'BRIEN: So moved.  
9 McCOY: Second.  
10 CHAIRMAN FUNDERBURG: Okay. We have a  
11 motion and second. All in favor, please say  
12 aye.  
13 (Chorus of ayes.)  
14 CHAIRMAN FUNDERBURG: Opposed?  
15 (No response.)  
16 CHAIRMAN FUNDERBURG: Again, thank you all  
17 for all of your help here and gathering so  
18 quickly. The meeting is over. You all have a  
19 good day, alright.  
20 FLETCHER: The time is 9:41 a.m.  
21 (WHICH WERE ALL THE PROCEEDINGS HAD at 9:41 a.m.)  
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1 STATE OF ILLINOIS }  
2 COUNTY OF COOK } SS:

3  
4 MAUREEN A. WOODMAN, C.S.R., being first  
5 duly sworn, says that she is a court reporter  
6 doing business in the City of Chicago; that she  
7 reported in shorthand the proceedings had at  
8 the hearing of said cause; that the foregoing  
9 is a true and correct transcript of her  
10 shorthand notes, so taken as aforesaid, and  
11 contains all the proceedings of said hearing.

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15 MAUREEN A. WOODMAN, CSR  
16 License No. 084.002740  
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