MINUTES OF THE JULY 1, 2014, MEETING OF THE HEALTHCARE AND EDUCATION COMMITTEE OF THE BOARD OF DIRECTORS OF THE ILLINOIS FINANCE AUTHORITY

The Board of Directors (the "Board") of the Illinois Finance Authority (the "IFA"), pursuant to notice duly given, held a Healthcare and Education Committee (the "Committee") Teleconference Meeting at 10:00 a.m. on July 1, 2014, at the Chicago Office of the Illinois Finance Authority, 180 North Stetson Avenue, Suite 2555, Chicago, IL 60601.

Board Members Participating:	**IFA Staff Participants:**	**Others Participating:**
Chairman Lerry Knox	Brad Fletcher, Financial Analyst	Marj Halperin, Marj Halperin Consulting
Mike Goetz	Rich Frampton, Vice President	
Carmen Lonstein	Pam Lenane, Vice President/Acting General Counsel	
Roger Poole	Nora O'Brien, Associate General Counsel	
David Vaught	John Dark, Law Clerk	
Brad Zeller		

GENERAL BUSINESS

I. Call to Order and Roll Call

The Committee meeting was called to order at 10:02 a.m. with the above Board Members and IFA staff present. Chairman Knox asked Ms. O'Brien to call the roll. There being four members present, Mr. Knox declared a quorum had been met.

Mr. Vaught joined the meeting at 10:03 a.m.

II. Review and Approval of the June 5, 2014 Minutes

The minutes from the Healthcare and Education Committee meeting held on June 5, 2014, were reviewed. Mr. Goetz moved to approve the minutes and the motion was seconded by Mr. Poole. By unanimous voice vote, the Committee approved the above referenced minutes.

III. Project Approvals

Ms. O'Brien presented the following project:

Item A: **The Carle Foundation – One-time Final Bond Resolution**

The Carle Foundation ("**Carle**", the "**Corporation**" or the "**Borrower**") is requesting approval of a **One-Time Final Bond Resolution** in an amount not-to-exceed **Twenty Eight Million Dollars** ($28,000,000). Bond proceeds will be used by the Carle to: (i) refund all or a portion of the outstanding IFA Revenue Bonds, Series 2009A (The Carle Foundation) (the "**Prior Bonds**"); and (ii) pay certain expenses incurred in connection with the issuance of the Bonds and the refunding of Prior Bonds, all as permitted by the Illinois Finance Authority Act (collectively, the "**Financing Purposes**"). Ms. O'Brien noted the Borrower does not currently anticipate using Bond proceeds to pay the cost of issuance, but wishes to keep the option in the resolution to maintain flexibility. The Bonds will be variable rate bonds and will be directly purchased by Wells Fargo Municipal Capital Strategies, LLC ("**Wells Fargo**").

Mr. Poole asked if the Carle is still engaged in litigation with the State of Illinois over the Health Alliance. Ms. Lenane stated that it is her belief that this issue has been resolved.

There were no other questions on this project. Mr. Poole moved to approve the project and Mr. Zeller seconded that motion. By unanimous voice vote, the Committee agreed that this resolution be recommended to the Board for approval.

Mr. Frampton presented the following projects:

Item B: **The University of Chicago – One-time Final Bond Resolution**

The University of Chicago (the "**University**" or the "**Borrower**") is requesting approval of a **One-Time Final Bond Resolution** in an amount not-to-exceed **Seven Hundred Million Dollars** ($700,000,000). Bond proceeds will be issued in one or more series and used by the Borrower for the purpose of providing all or a portion of the funds necessary to (i) finance, refinance or be reimbursed for all or a portion of the costs of the planning, design, acquisition, construction, renovation, improvement, expansion, completion and/or equipping of certain of its facilities constituting "educational facilities," as defined in the Act (the "**Project**"), including capitalized interest and working capital expenditures related to the Project, if deemed desirable by the University, (ii) currently refund, advance refund or provide for the payment of all or a portion (if any) of the Illinois Finance Authority Revenue Bonds, The University of Chicago, Series 2008B, issued and currently outstanding in the original aggregate principal amount of $500,000,000 (the "**Series 2008B Bonds**"), the proceeds of which were loaned to the University and used to finance, refinance or be reimbursed for all or a portion of the costs of the acquisition, construction, renovation, improvement and equipping of certain of the University's facilities constituting "educational facilities," as defined in the Act (collectively with the Project, the "**Financed Properties**"), (iii) fund one or more debt service reserve funds for the Bonds (as hereinafter defined) if deemed desirable by the University and (iv) pay certain costs relating to the issuance of the Bonds and the current refunding, advance refunding or provision for the payment of all or a portion (if any) of the Series 2008B Bonds, all as permitted under the Act (collectively referred to as the "**Financing Purposes**").

Mr. Frampton noted that the University received a lot of press when S&P and Moody's assigned negative outlooks. Despite the changes in outlook, it is evident from the Borrower's financials that they have good coverages and show strong endowment. The Borrower continues to receive significant gifts and designated funds for building projects.

Mr. Poole asked what the basis of the negative outlook was. Mr. Frampton replied with specific comments cited from the Moody's and S&P reports.

There were no other questions on this project. Mr. Goetz moved to approve the project and Mr. Poole seconded that motion. By unanimous voice vote, the Committee agreed that this resolution be recommended to the Board for approval.

Item C: **Midwestern University Foundation – Preliminary Resolution**

Midwestern University Foundation (the "**Foundation**" or the "**Borrower**") is requesting approval of a **Preliminary Bond Resolution** in and amount not-to-exceed **Fifteen Million Dollars** ($15,000,000). Bond proceeds (of the IFA Series 2014 Bonds) will be issued in one or more series and would be used by the Foundation, a private Illinois nonprofit corporation and affiliate of Midwestern University (the "**University**"), and combined with other funds to fund all or a portion of (i) an Illinois loan origination account, for the purpose of making credit underwritten loans to the students at the University's Illinois campus or Illinois residents attending the University's Glendale, Arizona campus, (ii) one or more debt service reserve funds, and (iii) capitalized interest, if deemed necessary or advisable by the Borrower. Additionally, bond proceeds may also be used to pay all or a portion of costs of issuance (collectively, the "**Financing Purposes**").

Through this Bond program, based on current market conditions, the Foundation would be able to provide loans at 6% (compared to federal GradPLUS loans, currently offered at a 7.21% rate). Accordingly, IFA Bond proceeds will be limited in use to qualified students at Midwestern University's Illinois campus in Downers Grove. Concurrently, because Student Loan Revenue Bonds require Volume Cap under the Internal Revenue Code, the Industrial Development Authority of Glendale. Likewise, use of the Industrial Development Authority of the City of Glendale, Arizona ("**Glendale IDA**") Bond proceeds will be limited in use to either (i) qualified students at Midwestern University's campus in Glendale, AZ or (ii) qualified students at Midwestern University's Downers Grove campus who are Arizona residents. IFA Glendale IDA will each be providing a $15 million allocation of Volume Cap to cover the Par amount of their respective bond issues (as required under the Internal Revenue Code). The Bonds will be sold together and rated together through a single Master Trust Indenture.

Mr. Frampton noted that this financing is the first since consolidation under which the IFA would be issuing, on a conduit basis, Bonds that would be used to fund student loans. The IFA would be issuing these Bonds under the Illinois Higher Education Loan Act ("**HELA**"). These Bonds would not count against the IFA's general corporate debt limit.

Mr. Goetz asked what the net borrowing rate will be. Mr. Frampton noted under current market conditions that the market rate for the Senior Bonds would range between approximately 3.75% and 4.00%, while the market rate borne on the Subordinate Bonds would be expected to range between 4.20% and 4.40%.

Ms. Lonstein asked whether the IFA funds would be used by students residing outside Illinois. Mr. Frampton noted that pursuant to the Higher Education Loan Act statute, only enrolled students at Midwestern University's Illinois campus in Downers Grove would be eligible to loans funded with IFA Bond proceeds.

Mr. Goetz asked whether the IFA will be soliciting this program to other universities. Mr. Frampton noted although it was IFA's intent to offer this product to other Illinois higher education institutions, Mr. Frampton noted that Midwestern University's (i) near-zero historic default rates and (ii) the above-average income and placement rate of the University's borrowers place Midwestern in a very strong position for the Bonds to be rated favorably compared to its peers. Mr. Frampton noted that these students are highly compensated and the Borrower has nearly a one hundred percent employment rate after graduation. Ms. Lonstein noted that this Borrower is a perfect candidate for the first issuance under this program.

Mr. Knox asked if there would be any additional administrative burden for the IFA. Mr. Frampton stated that there would be no additional administrative burden compared to any other conduit IFA Bond issue. In addition to the resolution for this financing, the Board will be considering a separate resolution to adopt a set of guidelines for the program as required under both the (Illinois) Higher Education Loan Act and under the Internal Revenue Code ("IRC").

Mr. Knox inquired if Illinois Student Assistance Commission ("ISAC") is involved at all. Mr. Frampton stated that the Higher Education Loan Act specifically authorizes IFA to issue conduit bonds directly on behalf of institutions that are looking to run their own proprietary program.

There were no further questions on this project. Mr. Poole moved to approve the preliminary resolution and Mr. Goetz seconded that motion. By a unanimous voice vote, the Committee agreed that this resolution be presented for Board approval.

Item D: **<u>Rogers Park Montessori School – Amendment of 2013 Bond Resolution</u>**

This Amendatory Resolution is to advise the IFA Board regarding an expected reduction in the not-to-exceed principal amount of the Project as approved previously by the IFA Board of Directors in June 2013 by approximately $6.0 million (from $26.0 million to $20.0 million) and now contemplates multiple series of bonds to be issued on behalf of Rogers Park Montessori Schools (the "**Borrower**" or "**Rogers Park**"). Specifically, the Series A Bonds will be p institutionally, while the Series B Bonds will be privately placed with supporters of Rogers Park each of whom satisfying the Securities and Exchange Commission's definitional requirements of "Accredited Investor". Finally, Mr. Frampton identified several new parties that have been engaged by the School in connection with this financing: Greenberg Traurig will serve as Bond Counsel; Ungaretti & Harris will serve as Underwriter's Counsel; and, B.C. Ziegler and Company has been engaged to serve as Underwriter. All Bonds will be sold consistent with IFA Bond Program Handbook requirements. Upon completion of substantially final bond documents, this Project will return to the IFA Board of Directors for consideration of a Final Bond Resolution (currently anticipated in August 2014).

Bond proceeds will be loaned to **Rogers Park Montessori School** (the "**Borrower**"), an Illinois not for profit corporation, to be used, together with certain other funds, to (i) pay or reimburse the Borrower, or refinance certain indebtedness the proceeds of which were used to pay or reimburse the Borrower, for the costs of acquiring, constructing, renovating, remodeling, expanding and equipping certain of the Borrower's school facilities, located at 1800 W. Balmoral Ave., Chicago, Illinois 60640 (the "**School Facility**"), including without limitation, an approximately 13,000 square foot expansion to the middle school space to the School Facility; the addition of classrooms, rooms, science spaces, science laboratories, presentation spaces, group work spaces, tutoring alcoves, and co-curricular spaces to the School Facility; and renovating, remodeling, expanding and equipping the gymnasium of the School Facility (together, the "**Project**"); (ii) advance refund or if deemed necessary or advisable by the Borrower, defease all or a portion of the outstanding principal amount of the $11,750,000 original principal amount Illinois Finance Authority Educational Facility Revenue Bonds, (Rogers Park Montessori School Project) Series 2004 (the "**Prior Bonds**"); (iii) fund a debt service reserve fund for the Bonds, if deemed necessary or advisable by the Borrower; (iv) fund a capitalized interest fund for the Bonds, if deemed necessary or advisable by the Borrower; and (v) pay certain costs incurred in connection with the issuance of the Bonds, and the costs of refunding the Prior Bonds (collectively with the Project, the "**Financing Purposes**").

Mr. Goetz moved to approve this amendment and Mr. Zeller seconded that motion. By unanimous voice vote, the Committee agreed that this amendment be presented to the Board for approval.

IV. Other Business

There was no other business before the Committee

V. Public Comment

There was no public comment.

VI. Adjournment

Mr. Goetz moved to adjourn the meeting and the motion was seconded by Mr. Zeller. The meeting adjourned at 10:39 a.m.

Minutes submitted by:
John Dark
Law Clerk