

1 ILLINOIS FINANCE AUTHORITY BOARD  
2 TAX-EXEMPT CONDUIT TRANSACTIONS COMMITTEE MEETING  
3 February 11th, 2016, at 8:30 a.m.  
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7 Report of Proceedings had at the Meeting of the  
8 Illinois Finance Authority Board of Directors Tax-Exempt  
9 Conduit Transactions Committee Meeting on February 11th,  
10 2016, at the hour of 8:30, pursuant to notice, at 160 North  
11 LaSalle Street, Suite S1000, Chicago, Illinois.  
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MARZULLO REPORTING AGENCY (312) 321-9365

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1 APPEARANCE:  
2 COMMITTEE MEMBERS

3 MR. ROBERT HORNE, Chairman  
MR. JAMES J. FUENTES  
4 MR. MICHAEL W. GOETZ  
MR. LYLE McCOY (Added)  
5 MR. BRADLEY ZELLER  
MR. ADAM ISRAELOV  
6 MR. ROBERT FUNDERBURG, Ex-Offi ci o

7  
8 ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

MR. BRAD FLETCHER, Assi stant Vi ce-Presi dent  
9 MR. RI CH FRAMPTON, Vi ce-Presi dent  
MS. TAMMY HARTER, Heal thcare Fi nanci al Anal yst  
10 MS. PAMELA LENANE, Vi ce-Presi dent  
MS. ELIZABETH WEBER, General Counsel  
11 MR. CHRIS TOPHER B. MEI STER, Execu ti ve Di rector  
MR. PATRI CK EVANS, Agri cul tural Banker (Vi a audi o  
12 conference)

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1 CHAIRMAN HORNE: Can we do a roll call, Brad?  
2 MEI STER: Yes. Thank you, Chairman Horne. You  
3 called the meeting to order. Mr. Horne?  
4 CHAIRMAN HORNE: Yes.  
5 MEI STER: Mr. Goetz?  
6 GOETZ: Here.  
7 MEI STER: Mr. Israel ov?

8 ISRAELOV: Here.  
9 MEISTER: Mr. Zeller?  
10 ZELLER: Here.  
11 MEISTER: Mr. Fuentes?  
12 FUENTES: Here.  
13 MEISTER: And Mr. Funderburg, as Ex-Offi c i o?  
14 FUNDERBURG: Here.  
15 MEISTER: We have Chair man -- or we have a  
16 quorum, Mr. Chair man.  
17 CHAIRMAN HORNE: Okay, thank you. Do any  
18 members wish to make any edits to the minutes from  
19 our last meeting, or from regular meeting, which was  
20 on January the 13th? I think we got copies of the  
21 minutes di stri buted.  
22 If none, I would ask for approval of the  
23 minutes.  
24 GOETZ: So moved.  
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1 FUENTES: Second.  
2 CHAIRMAN HORNE: All those in favor?  
3 (A chorus of ayes.)  
4 CHAIRMAN HORNE: Okay. Opposed?  
5 (No response.)  
6 MEISTER: Chair man Horne, I et the record  
7 reflect Commi ttee Member Lyl e McCoy has joi ned the  
8 commi ttee.  
9 CHAIRMAN HORNE: Great. That's perfect timing.  
10 We have a consi derati on and nomi nati on and electi on  
11 of a Vice-Chair of the Conduit Commi ttee, and Lyl e

12 has been nominated for that, and I would ask if  
13 anyone would like to move for approval of Lyle's  
14 nomination.

15 McCOY: So moved.

16 ISRAELOV: Second.

17 CHAIRMAN HORNE: All those in favor?

18 (A chorus of ayes.)

19 CHAIRMAN HORNE: Great. Lyle, welcome.

20 McCOY: Thank you. Timing is everything.

21 CHAIRMAN HORNE: So we are going to now do --  
22 have kind of a general consent of the members to  
23 consider projects and resolutions, collectively, and  
24 then we're going to do kind of on a vote-by-vote

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1 basis for each project.

2 So we're going to ask for a presentation I  
3 think now on several of the matters that we're going  
4 to discuss, both in this meeting and at the Board  
5 Meeting.

6 ISRAELOV: And, Chairman, with respect to the  
7 Timothy Place matter, I'm going to have to step  
8 aside for consideration and deliberation, due to a  
9 conflict.

10 CHAIRMAN HORNE: Not a problem. Okay, thank  
11 you. So do we want to --

12 MEISTER: I think we'll go to agenda Roman  
13 Numeral IV.

14 CHAIRMAN HORNE: IV?

15 MEISTER: The Consideration of Educational  
16 Cultural and Non-Healthcare 501(C)(3)s, and I

17 believe that Mr. Fletcher will present the  
18 University of St. Francis Final Bond Resolution.

19 CHAIRMAN HORNE: Okay. Please, Brad.

20 FLETCHER: Certainly. So the University of  
21 St. Francis, excuse me, was presented to this  
22 committee, as well as the Board last month. At this  
23 time, they are simply returning -- excuse me, I'm  
24 out of breath -- for a Final Bond Resolution

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1 Consideration.

2 Before we didn't know the amounts that PNC  
3 and Wintrust would be purchasing. At this time we  
4 know Wintrust will be purchase \$6,000,000, and PNC  
5 will be purchased \$9,000,000.

6 So you recall, this was the conversion of  
7 the surface parking lot to a new science building.  
8 So we recommend approval. I can take any questions  
9 with respect to their financials, if necessary.

10 CHAIRMAN HORNE: Okay. Is there any questions  
11 on this matter? If none, do we want to do a vote,  
12 or do we want to do a presentation of all, and  
13 then --

14 MEISTER: Let's do a presentation of all,  
15 except for the one with the conflict. So we could  
16 turn to Ms. Lenane on Roman Numeral V.

17 CHAIRMAN HORNE: Okay.

18 MEISTER: Christian Homes, a senior living  
19 nonprofit.

20 LENANE: Okay. In the book it's 2.

21 CHAIRMAN HORNE: Number 2.  
22 MS. LENANE: In the book. Christian Homes  
23 returns for a Final Bond Resolution in the amount of  
24 \$39,000,000. They are refunding the outstanding  
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1 amount of the 2007A bonds -- 2007A bonds, portion of  
2 the principal amount of the Crown Point, Indiana,  
3 bonds, and also refunding the -- excuse me, the 2010  
4 bond, IFA 2010 bonds.

5 This is a Final Bond Resolution. The only  
6 change from the last meeting is that they have  
7 received a BBB minus rating with a stable outlook,  
8 and that is both on page 1 in the summary, and then  
9 if you go back on page 3 in the finance summary.

10 Otherwise, nothing else has changed. So  
11 we're very pleased with this. It is a multi-state  
12 transaction using our multi-state powers, and this  
13 will close fairly soon.

14 CHAIRMAN HORNE: Terrific. Okay.

15 MS. LENANE: Any questions?

16 MEISTER: Pam, why don't you move on to  
17 Presbyterian Homes and Mercy Rockford?

18 LENANE: Okay. Pres Homes is 4. Presbyterian  
19 Homes is coming for Preliminary Bond Resolution in  
20 the amount of \$135,000,000. They are refunding the  
21 1996A bonds, the 2001 bonds, the 2006 bonds, and the  
22 2007 variable rate demand bond, and they're going to  
23 fund -- they have a little of new money in here of  
24 \$8,000,000, and they're going to fund some new

1 routine capital expenditures, maybe. So that's  
2 still maybe.

3 That's why I have no construction jobs  
4 here. So -- but by the time we do the final, that  
5 will all be decided, and I'll have jobs, and if  
6 they're doing it. Right?

7 CHAIRMAN HORNE: Do we have any sense of when  
8 this will come back?

9 MS. LENANE: Oh, yeah, it's coming back next  
10 month for final.

11 CHAIRMAN HORNE: You think we'll have some  
12 ideas on jobs?

13 LENANE: Oh, yeah, I'll get estimates -- we  
14 will get estimates from the Home.

15 CHAIRMAN HORNE: Great.

16 LENANE: From Presbyterian Home and/or their  
17 contractor.

18 GOETZ: This is mostly going to be remodeling?

19 LENANE: I think so.

20 GOETZ: No new construction?

21 LENANE: No new construction, just remodeling.

22 CHAIRMAN HORNE: Okay.

23 LENANE: So let me continue on. They have  
24 applied for both a Fitch and S&P rating, and we're

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1 optimistic they will receive a rating, so they will  
2 be able to not have a feasibility study and issue

3 their bonds in smaller denominations, to be  
4 specific.

5 If we go back to the financials, you can  
6 see from the audited 2014 and 2015 bonds, debt  
7 service coverage is very good, 4.62 and 7.2, and  
8 days cash on hand is remarkable. I don't know why,  
9 but it's huge. Huge.

10 Why is it huge? Foundation? Maybe.  
11 Foundation then. So they'll be back again. They  
12 are located in Evanston, and I think --

13 CHAIRMAN HORNE: Lake Forest.

14 LENANE: And Lake Forest, yes. Are you  
15 thinking of the Moorings, Lake Forest?

16 WEBER: There is Lake Forest Place.

17 LENANE: Place, yes. Yeah, the Moorings is not  
18 included in this.

19 CHAIRMAN HORNE: Okay. Arlington Heights.

20 LENANE: The Moorings -- actually, they may  
21 come at a separate time the Moorings, hopefully. So  
22 do we have any questions?

23 CHAIRMAN HORNE: No.

24 LENANE: And they will come back next month and  
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1 it will be more flushed out. Okay, now, the next  
2 one is, going forward now --

3 MEISTER: So if we could then just move on to  
4 Mercy Rockford Health System Corporation, a  
5 Preliminary Bond Resolution for a nonprofit hospital  
6 system.

7 LENANE: Yes. Mercy Rockford Health System is  
Page 8



8 building a new hospital, 188 beds on the east side  
9 of town. The Rockford Memorial Hospital will be  
10 staying open. They will be running both hospitals.

11 They are requesting finance approval.  
12 This is a preliminary resolution of \$550,000,000 to  
13 fund the construction of the new hospital, and to  
14 refinance some bonds of Rockford Memorial Hospital,  
15 2008 bond, 2012 bond.

16 They are also going to be refinancing all  
17 or a portion of some Mercy Alliance. Mercy Alliance  
18 out of Janesville is the hospital that has merged  
19 with Rockford Memorial and Rockford, and so this  
20 again, once again, we're using our multi-state  
21 bonds. Also, doing that same refunding within this  
22 transaction.

23 The construction jobs are estimated at  
24 1,500. Now that is projected by -- those

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1 projections come from the president of  
2 Ringland-Johnson Construction, who I think is the  
3 general contractor on the transaction, and Brad  
4 Long, president of the --

5 MEISTER: What?

6 LENANE: Northwestern Illinois Building and  
7 Trades Construction Trades Council, and both of them  
8 went -- both of them gave estimates, and this is  
9 what they came up with.

10 So maybe by the final, we'll have better  
11 -- I'll press them to get them more firm, but I

12 think this is about all we're going to get at this  
13 point, because I think they haven't broken ground.

14 CHAIRMAN HORNE: Really?

15 LENANE: No.

16 FUNDERBURG: Not that I'm aware of.

17 LENANE: I'm not aware of it either. And Henry  
18 Seybold is the CFO of Rockford -- Mercy Rockford,  
19 and John Cook, who is the CFO of Mercy Alliance,  
20 will be -- one of them will be coming to the next  
21 meeting and talk about the hospital.

22 It's brand new, 188 beds. It's quite  
23 exciting. We haven't had a new hospital for a few  
24 years in Illinois. So it's nice to see

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1 construction, picking up again, and so if we go to  
2 page 3, they expect to get the bonds rated, and they  
3 are expecting an underlying rating from Moody's of  
4 A3.

5 I assume that's somewhat going to be based  
6 on Mercy Alliance, because Rockford has not been a  
7 strong credit. They had a rating at one time, but I  
8 don't think they carry one now.

9 And so then if we go over to -- I can take  
10 you through the financials. They do not have, and  
11 hopefully we'll have this by the time of the final,  
12 they don't have consolidated statements.

13 So what we did, we gave you Mercy  
14 Alliance, and then we gave you Rockford Hospital,  
15 Rockford Memorial Hospital, side by side, and then  
16 we combined them for the six months ended 12-31-14

17 and 12-31-15, but they will have to put them --  
18 combine them to go to the rating agencies in some  
19 fashion.

20 So, hopefully, we'll have that. They need  
21 a little more time, so they won't be coming to the  
22 next meeting for a final. They'll be coming in  
23 April for a final. And I don't think there is  
24 anything else.

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1 This also is a multi-state transaction,  
2 and we're very pleased that we went three times for  
3 the multi-state.

4 MEISTER: Yes.

5 LENANE: We got it on the third try.

6 MEISTER: Just a word for the Board Members,  
7 this was a statutory change in 2010. It allows the  
8 Illinois Finance Authority to issue, on behalf of  
9 projects, bonds that fund a series of projects in  
10 states outside of Illinois, as long as there is a  
11 significant Illinois nexus, which means a  
12 headquarters of the borrower or significant  
13 projects.

14 And, Bond Counsel, I think --

15 BIBBY: Right.

16 MEISTER: A couple years after that, there was  
17 a rather significant conduit financing for a  
18 for-profit set of private activity bonds near O'Hare  
19 Airport, and there was another state -- multi-state  
20 issuer that issued those bonds.

21 We went back to the General Assembly, and  
22 we had our Authority expanded for private businesses  
23 that may utilize private activity tax-exempt bonds  
24 as well.

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1 And the reason why we did that was not  
2 only to preserve, frankly, the jurisdiction of the  
3 Authority and Illinois policies and ties to  
4 Illinois, but also there was a very compelling  
5 competitive reason.

6 There are other state legislatures that  
7 have seen fit to attempt to grant multi-state  
8 authority to issuers that, at least in my personal  
9 view, have rather tangential ties to the State, and  
10 I think that's a fair assessment that there is a  
11 wide variety of multi-state authority across the  
12 state.

13 BIBBY: Yes.

14 MEISTER: And we feel very comfortable with the  
15 nexus test that we work with Bond Counsel to put  
16 into the Illinois statute.

17 LENANE: Yes. So I can go more in depth on  
18 that.

19 CHAIRMAN HORNE: I just had a question on the  
20 financials.

21 LENANE: Yes.

22 CHAIRMAN HORNE: I was kind of studying the  
23 EBITDA on Rockford, in particular, and I just see a  
24 decline, you know, represented, and they just or --

1 are they going to show numbers for projections with  
2 the new hospitals?

3 LENANE: Well, they have to. They won't get a  
4 rating. Rockford Memorial -- Rockford is a  
5 three-hospital town. St. Anthony, which is an OSF,  
6 Peoria Hospital, they're sort of -- they do very  
7 well, and they get most of the private-pay patients.

8 Then there's Swedish American Hospital in  
9 Rockford. They do well. They carry a rating, and  
10 then you have Rockford Memorial, and Henry Seybold  
11 always complained to me, "We get all the Medicaid  
12 patients."

13 They've been struggling. It is a good fit  
14 for Mercy Alliance coming out of Janesville to come  
15 and to acquire them. And I think from the  
16 newspapers I've read, they want to try to make it a  
17 center of excellence for people to come to in that  
18 area, or for not even that area particularly, but  
19 even around.

20 CHAIRMAN HORNE: Regionally, yes.

21 LENANE: Regionally by some helicopters like  
22 OSF, I would assume, and become sort of a regional  
23 hospital.

24 CHAIRMAN HORNE: Okay.

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1 MEISTER: Pam, just could you note there's been  
2 some history of Federal Trade Commission activity

3 with respect to mergers of Rockford Hospitals?

4 LENANE: Oh, yes. Saint -- OSF Health System  
5 out of Peoria, or St. Francis Health System, tried  
6 to acquire Rockford Memorial, this hospital, and  
7 made application to the FTC. They were denied.

8 They appealed. They were denied again. I  
9 think they might have done one more appeal, but for  
10 two years they tried to get it. Finally, they just  
11 said, "We have to let it go." They didn't want to  
12 go to court to sue. So very interesting.

13 So -- but this has been -- this wasn't --  
14 this wasn't subject to the FTC.

15 CHAIRMAN HORNE: Okay. I don't know -- is  
16 there any questions in addition on the Rockford?

17 LENANE: I'll have more color on it. I wanted  
18 them to bring some renderings at the next meeting.  
19 Well, it won't be the next meeting. It will be the  
20 April meeting they'll be back.

21 CHAIRMAN HORNE: Okay.

22 MEISTER: Chairman Horne, if we could ask  
23 Mr. Frampton to present the resolution on University  
24 of St. Francis.

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1 CHAIRMAN HORNE: Okay.

2 FRAMPTON: This is both Roman Numeral VI and  
3 tab 6 in the book. Simply what this resolution does  
4 is it amends certain of the business terms to -- as  
5 a result of the Series 2016 bonds that we discussed  
6 earlier, specifically Wintrust as the purchaser, and  
7 relationship bank for USF will be amending the

8 interest-rate spread.

9           They will also be amending some of the  
10 security for the bonds, including -- they will be  
11 taking a mortgage on certain real property. They  
12 will also be taking a security interest in certain  
13 personal property, and also certain of the gross  
14 revenues.

15           So in light of the new borrowing for  
16 \$15,000,000, they are reworking certain of the terms  
17 in the 2013 deal. That's what this resolution  
18 accomplishes. Questions?

19       CHAIRMAN HORNE: None.

20       MEISTER: And then I think we'll turn to  
21 Timothy Place/Park Place, and I understand --

22       GOETZ: Don't we want to go ahead and vote?

23       MEISTER: Oh, I'm sorry. I apologize.

24       FLETCHER: Do Presbyterian.

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1       MEISTER: I went too quickly.

2       CHAIRMAN HORNE: Thank you. So I think what we  
3 would like to do is vote on each project  
4 individually. I think you should do a roll call  
5 vote for each.

6       FLETCHER: Your call.

7       MEISTER: Actually, I think all of these I  
8 think we can take one vote on a motion to recommend  
9 to the Board the University of St. Francis,  
10 Presbyterian Homes, Mercy Rockford and --

11       LENANE: Christian.

12 MEISTER: Christian Homes, University of  
13 St. Francis.  
14 CHAIRMAN HORNE: St. Francis.  
15 MEISTER: Yes. And Presbyterian Homes. Did I  
16 name them all?  
17 FLETCHER: Yes.  
18 LENANE: Yes.  
19 FLETCHER: So is there a motion for approval to  
20 recommend to the Board?  
21 FUENTES: So moved.  
22 GOETZ: Second.  
23 CHAIRMAN HORNE: All those in favor?  
24 (A chorus of ayes.)  
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1 FLETCHER: Opposed?  
2 (No response.  
3 FLETCHER: The ayes have it.  
4 CHAIRMAN HORNE: Okay. Okay. So we're going  
5 to take up the next matter, and we're going to ask,  
6 Adam, would you like to step out for that?  
7 ISRAELOV: Yes, and I'm going to recuse myself  
8 obviously.  
9 CHAIRMAN HORNE: Understood.  
10 LENANE: Do you want to state the reason for  
11 other people here who may not know?  
12 ISRAELOV: Sure. Some of the bondholders are  
13 clients of my employer. So for conflict purposes,  
14 I'm going to recuse myself from deliberation,  
15 consideration, and voting.  
16 CHAIRMAN HORNE: Sure.



17           LENANE: Thank you. Small world.  
18           CHAIRMAN HORNE: So this matter is --  
19           LENANE: Tab 3.  
20           CHAIRMAN HORNE: Yes.  
21           LENANE: In the book.  
22           CHAIRMAN HORNE: This is Timothy Place.  
23           LENANE: Right, Timothy Place. There is no  
24 extra material. It's all here.

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1           CHAIRMAN HORNE: Okay.  
2           LENANE: And I don't know if you had the time  
3 to go through this. Timothy -- Park Place of  
4 Elmhurst or Timothy Place is located, of course, in  
5 Elmhurst.  
6                   It's directly, for those of you who might  
7 be familiar with that area, if you go out Roosevelt  
8 Road, and you see the brand new Elmhurst Hospital,  
9 Timothy Place is just west of it, and it's on a  
10 campus developed or owned by -- help me. The  
11 church, right?  
12           DeYoung: Providence Life Service is supported  
13 by the Dutch Reformed Church.  
14           MS. LENANE: Right, the church is there, the  
15 Dutch Reformed Church, Timothy Christian Grade  
16 School and High School. So it's a campus of these  
17 associations.  
18                   It's a CCRC. It has the three levels of  
19 care, 181 independent units, 46 assisted living  
20 units, and 20 memory units, and 37 nursing care

21 units.

22 Bill is going to address -- I'll introduce  
23 him, and he will address occupancy issues. They are  
24 seeking a one-time Board approval so that they can

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1 take this Board approval to the Bankruptcy Court,  
2 and then the Bankruptcy Court will -- they'll do a  
3 solicitation.

4 Already 74.2 percent of the bondholders  
5 have agreed to -- agreed to the court agreement  
6 going into bankruptcy, and they'll do a solicitation  
7 of all the bondholders before the closing.

8 The bondholders will be receiving  
9 85 percent of the 2010 bonds that are still  
10 outstanding, and those will be Series A and B bonds,  
11 and the balance of 15 percent, which, you know,  
12 which is sort of the less, will be the C bonds, and  
13 they will be subordinate to the A and B bonds.

14 And they bear interest at a lower rate,  
15 and they will be paid off with entrance fees after  
16 the A and B bonds have been paid. A and B bonds get  
17 paid first.

18 CHAIRMAN HORNE: Well, the B bonds are the  
19 entrance-fee payments.

20 LENANE: Oh, right, right, and the C bonds --

21 CHAIRMAN HORNE: And C bonds are the --

22 LENANE: Cash flow bonds.

23 CHAIRMAN HORNE: Right.

24 LENANE: Okay, sorry. So -- I'm trying to

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1 think what else I wanted to tell you. The sponsor,  
2 Provident Life Services, is injecting \$5,000,000  
3 cash into the refunding or restructuring.

4 Their loan will be subordinate to  
5 everybody else's loan, and I think they are earning  
6 interest at 2 percent. And because -- they will  
7 still be managing the project, and I'm going to let  
8 Bill DeYoung speak to some of that.

9 There are retail bondholders.  
10 Approximately 22 percent of the par amount of the  
11 2010 bonds are held in retail hands or \$32,000,000  
12 in average accounts, 2,000 accounts. So each retail  
13 account holds approximately \$16,074.

14 So the retail bonds are held -- widely  
15 held. So they are probably in small amount. And  
16 the bondholders will be -- I don't think upset by  
17 this, because, first of all, they've been receiving  
18 very generous rates on these bonds, 8 to 7 percent  
19 over the past 16 years.

20 And now they're going to get suitable  
21 rates for the present economy, better than average,  
22 and those are on page -- those are right up front  
23 here on page -- anyway, they're going to be getting  
24 nice rates. It isn't all in here.

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1 CHAIRMAN HORNE: I didn't see the rates.

2 LENANE: Why isn't the back of this -- the

3 confidential section is missing.  
4 CHAIRMAN HORNE: It is on page 4.  
5 LENANE: Wait a minute. The confidential  
6 section is missing. Do you have it?  
7 FUENTES: It's in the second part. You got  
8 part A and B. At least I have them.  
9 CHAIRMAN HORNE: Yes.  
10 LENANE: Well, I don't.  
11 FUENTES: Here.  
12 LENANE: You've got A and B?  
13 FUENTES: Anybody want it? You want it?  
14 MEISTER: Yes.  
15 LENANE: No, you continue to look at it. Do  
16 you have A and B?  
17 HARTER: I do.  
18 LENANE: If you go to page --  
19 FLETCHER: Page 9 starts the confidential  
20 section.  
21 LENANE: Yes, 9, right. It's in -- Oh, it's on  
22 page 4. It's in the main report. The A bonds are  
23 going to bear interest at 6.2 percent, 6.4. The B  
24 bonds will bear interest at 5.6, and those are  
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1 better than competitive rates for nonrated CCRC  
2 debt, wouldn't you think, Steve?  
3 JOHNSON: Yes.  
4 LENANE: And then I'll introduce everybody.  
5 And then the C bonds are going to have a coupon rate  
6 of 2 percent. So I'm trying to think. Let me  
7 introduce my team here.

8 CHAIRMAN HORNE: Please.

9 LENANE: With us today we have Bill DeYoung,  
10 who is the Chief Financial Officer of both Provident  
11 Life Services, which is the sponsor of this project;  
12 and Park Place of Elmhurst, Timothy Blake of Park  
13 Place of Elmhurst.

14 With him is Barry VanderGerugten, who is  
15 also Director of Finance for both Provident Life  
16 Services and Park Place of Elmhurst. John Bibby is  
17 our Bond Counsel on this transaction. Tom Brod is  
18 the Financial Advisor.

19 Steve Johnson is here from Ziegler. They  
20 will be handling the exchange of the bonds. Also,  
21 we have Melanie Shaker, our Financial Advisor, who  
22 has gone through these numbers. And last but not  
23 least, Bruce Weisenthal, who is our issuer's counsel  
24 on the transaction, who has been reviewing the

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1 documents and will sign off on all the documents.  
2 We'll get a traditional bond opinion on these  
3 documents, and in the documents -- I'll let them  
4 speak to this.

5 In the documents, we will have  
6 indemnities, like we have in every transaction, and  
7 those will be affirmed in the bankruptcy order. So  
8 what I would like to do is have Bill speak a little  
9 bit about how they got there.

10 I would like to say it's a beautiful  
11 project. My mother was there in January of last

12 year, for two different weeks, wonderful service. I  
13 can't say enough. And I wandered around, because I  
14 went -- it's not very secure, though, Bill. I  
15 wandered --

16 DeYOUNG: They thought you were a resident.

17 LENANE: Wow.

18 DeYOUNG: You know I'm teasing.

19 LENANE: We've known each other for a long  
20 time, too long.

21 DeYOUNG: 20 years.

22 LENANE: 20 years, yes. But I wandered into  
23 the assisted living and senior living. It is  
24 beautifully constructed, really solid. I mean, if

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1 you went to it, you would think it's fabulous.

2 And I think also the fact that it's so  
3 close to Elmhurst Hospital, it's like -- would you  
4 say it's not even half a mile, quarter of a mile?

5 DeYOUNG: It's across the street.

6 LENANE: It's across the street, basically.  
7 People can, you know, they can be admitted there for  
8 rehab.

9 They have a wonderful rehab unit that's  
10 staffed by the old Marion Joy, which at one time was  
11 owned, up until recently, by the Wheaton Franciscan  
12 Sisters out of Wisconsin. The Wisconsin Franciscan  
13 Sisters owned Marion Joy, but they now sold it to  
14 Northwestern.

15 The Northwestern Health System now owns  
16 it. I don't know if Marion Joy will continue to run

17 it. It was cracker-jack. I mean, it was really a  
18 wonderful place. So, Bill.

19 DeYOUNG: Thank you. Thanks, everyone, for the  
20 opportunity to tell you a little bit about Provident  
21 Life Services and Park Place of Elmhurst as well.

22 The organization actually traces it's  
23 roots to 1914. We're a group of churches on the  
24 south side of Chicago. Roseland, specifically, saw

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1 a need to serve seniors.

2 The church denomination, as Pam mentioned,  
3 is Christian Reform Dutch persuasion, somewhat  
4 Presbyterian, from a theological perspective Dutch.  
5 You have VanderGerugten here.

6 But they saw a need, and so they opened up  
7 a facility called the Holland Home in 1914. Over  
8 the years, the organization has grown. Today we  
9 serve roughly 2,000 people in the various settings,  
10 including home health and hospice, tax credit, some  
11 low-income housing buildings, market rate  
12 independent review, interest free, now independent  
13 living, assisted living, skilled nursing care.

14 Roughly 2000, the Board of Providence  
15 really felt the need that they needed to serve the  
16 people in the area of Elmhurst. We have a number of  
17 churches. Actually, two are within walking distance  
18 of the site we're at today.

19 There was a need for them to serve through  
20 a campus, and so we started the process of trying to

21 figure out how we could do a project in Elmhurst.

22           Probably the next significant step that we  
23 made was Timothy Christian School, which is right  
24 next door, and we do actually do some interesting

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1 inter-generational programming with the kids, and  
2 with the residents of the facility, you know,  
3 bringing somebody in to talk about World War II  
4 instead of reading the books.

5           There are some really neat things we're  
6 able to do there with the school. They judge -- the  
7 residents judge art projects, you know, just  
8 different ways of bringing generations together.

9           But the school had a need for some cash,  
10 was looking to do some expansion, and we obviously  
11 were looking for land. So what the school had done  
12 is it had bought roughly seven lots around the  
13 school, and we bought those lots from them as the  
14 basis to start our effort.

15           The problem is now we have seven lots that  
16 are around a neighborhood, but not the neighborhood.  
17 So over the next probably four years, Ray Hemphill  
18 went around and literally spent time with people at  
19 the dining room table talking about selling their  
20 home for the greater plan that we had for that area,  
21 and so we accumulated 20 lots.

22           And then we were all geared up. We've  
23 been doing presales for the project, and we were  
24 actually geared up to do a financing in, like, 2008.

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1 And, you know, a new obstacle got thrown in our way.

2           Fortunately, there was enough momentum in  
3 the project, and there was some seed capital from  
4 the partner that we were able to keep the project  
5 alive and actually finance the project in May of  
6 2010.

7           It was one of the first projects that got  
8 financed after really the struggles of the great  
9 recession, whatever you want to define that period  
10 of time.

11           So in between, we financed the project.  
12 Interest rates were a little steep at the time. I  
13 think the average rate on the deal was over  
14 8 percent. But based on a lot of projections,  
15 feasibility studies and the like, there was some  
16 comfort that the project would work at that point in  
17 time.

18           The construction period was generally  
19 uneventful. Our biggest obstacle was weather days.  
20 We did end up using most of our contingency for  
21 weather. Fortunately, it was -- we didn't go beyond  
22 contingency for weather, and we opened up in early  
23 2012.

24           The other thing that we saw, as we were

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1 continuing to sell the product, was that we just  
2 weren't getting kind of the momentum we had hoped

3 with converting from blue-sky sales to actually a  
4 building going up.

5           And then ultimately we saw the impact of  
6 that, as we opened up the building, and really  
7 because seniors rely on the sale of their homes, in  
8 most cases, to move into these buildings, because  
9 their home values just had not recovered to the  
10 level that was anticipated. We saw a lot of fallout  
11 initially into the deposits that we had in the  
12 project.

13           We kind of slowly moved along for the  
14 first year of the filling of the building, and we  
15 just weren't getting the kind of momentum. We did  
16 some cutting of the entrance fees to try to attract  
17 people into the building.

18           We even saw that our assisted living rates  
19 were just higher than the market would bear. So we  
20 needed to cut those rates by about \$650 a day -- or  
21 a month, I'm sorry. \$650 a month. A month, yeah.  
22 \$650 a month.

23           You know, interestingly, as soon as we cut  
24 the rates to market value, we did fill the assisted

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1 living because, as Pam said, it's a very nice  
2 campus.

3           In roughly May of 2013, the organization  
4 just was not happy with the momentum that we were  
5 getting from outsourcing our marketing, so we  
6 actually took the marketing in house, and we decided  
7 we wanted to try to do the marketing on our own.

8                   So when we took the marketing on our own,  
9 you know, I don't know if it was because we did such  
10 great marketing, or because the economy was coming  
11 back, but we started to pick up some momentum in  
12 sales.

13                   So we proceeded to start to see better  
14 sales going on. We were seeing four, five, six,  
15 people were moving in a month.

16                   So from there, we hit a point in late  
17 November of '14 that we just recognized that based  
18 upon the delays in filling up the building, the  
19 interest costs that we were paying, the reduction in  
20 entrance fees we were collecting, and the slow fill,  
21 we were not going to be in a position to ultimately  
22 meet our future obligations on the short-term debt  
23 specifically.

24                   So back in November of 2014, we asked some  
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1 of the institutional investors to go restricted so  
2 that we could talk through how we were going to get  
3 from where we were to some point where the project  
4 could be stable on a long-term basis.

5                   In that initial meeting, we were able to  
6 reach an agreement with them that the first thing we  
7 needed to do was come to an agreement on the  
8 numbers. Because, ultimately, the numbers would  
9 determine what project we could really handle going  
10 forward.

11                   So we spent almost a year working on

12 numbers, trying to get agreement on both sides, with  
13 consultants on both sides, on where we believe both  
14 sides were comfortable with the project would be  
15 able to operate.

16           Once we got to that point, it was a little  
17 easier to sit down at that point and say, "Okay, now  
18 we know what the numbers look like. Now we can put  
19 together a structure from which to deal with."

20           You know, so basically we reached a  
21 forbearance agreement, and then ultimately we came  
22 to a term sheet late last year, which was a month  
23 ago, on what we thought the project could really  
24 handle moving forward.

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1           The nice thing is we continued to have  
2 good momentum. The health center is basically full,  
3 and has been for actually years. As Pam said, we do  
4 a lot of rehab on the nursing side of the building  
5 as we wait for the project to mature, because  
6 obviously people come in on the independent living  
7 side and then age in place.

8           So we're really on the early side on the  
9 skilled side, the nice thing with our relationship  
10 with the hospital, we created an opportunity to keep  
11 the skilled full by doing post-acute rehab with  
12 Marion Joy.

13           So it's a really nice rehab center right  
14 now until the project matures. Assisted living is  
15 full. Memory care is full.

16           CHAIRMAN HORNE: When you say "full," I mean,  
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17 are you talking 85 percent or 100 percent?

18 DeYOUNG: No. Generally what we're seeing,  
19 we've seen a little dip in assisted living. Usually  
20 we're seeing in skill 34, 35 people a day. Assisted  
21 living should be operating over 90 percent on a  
22 given day, and then healthcare as well.

23 Independent living is -- I think we have  
24 157 people living in the building of 181 units. We

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1 have three or four additional deposits. So we're  
2 really getting into that close to that 90-percent  
3 occupancy range, and we're getting to the point  
4 where we're running out of units of given types,  
5 which also helps momentum on sales.

6 So that's a little bit about the project,  
7 a little bit about Providence and their history.  
8 You know, obviously we're here for any questions you  
9 guys might have.

10 CHAIRMAN HORNE: Any questions?

11 GOETZ: I just think this is a really great  
12 project, and I want to commend you guys for sticking  
13 with it and getting it worked out and stuff.

14 How long do you have to forego your  
15 management fees?

16 DeYOUNG: Well, we have -- we've never  
17 collected.

18 GOETZ: Yeah, I assumed that. You got a great  
19 deferred developer fee.

20 DeYOUNG: Yes. Those are -- part of the deal

21 is we would write off all the deferred. Obviously,  
22 you heard the organization has put another  
23 \$5,000,000 into the project. It's actual cash, not  
24 some kind of back support. It's actual cash in the

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1 project.

2 And the agreement is right now that we  
3 will start collecting the \$30,000 a month --

4 GOETZ: Management fee.

5 DeYOUNG: -- management fee. And the  
6 difference between that and the three-and-a-quarter  
7 percent, which is still a pretty reasonable  
8 management fee. The difference between the two is  
9 deferred until the project could ever pay.

10 GOETZ: You're still going to earn it?

11 DeYOUNG: We'll earn it, but, you know, nice  
12 theory.

13 GOETZ: Yes, right.

14 DeYOUNG: Cash in hand is maybe what happens.

15 GOETZ: Maybe some day?

16 DeYOUNG: Right.

17 LENANE: Maybe you want to speak to the  
18 marketing efforts that have been approved by the  
19 bondholders that you're going to be giving discounts  
20 on the senior living units, an average of 10  
21 percent.

22 DeYOUNG: Right. It's actually not something  
23 you need to alert you. In some ways, we're giving  
24 what the market has been doing over -- you know,

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1 basically since 2010, which is offering special  
 2 deals to sell the units and then also encourage  
 3 people to get into the building. Because the  
 4 experience we have is if people get into the  
 5 building, they don't want to leave.

6 So what we do is we have incentives where  
 7 if you move in, we will discount your entrance fee  
 8 up to 10 percent, depending on the timing of how  
 9 quickly you move in.

10 We also allow you in that situation where  
 11 we're encouraging you to move in, we will provide  
 12 you with basically an entrance-free loan on the  
 13 entrance fee. We'll give you up to a year interest  
 14 free, sorry, to pay the other 80 percent of your  
 15 entrance fee.

16 That's been a very successful program for  
 17 us. I think Barry gave the numbers. We have  
 18 roughly \$26,000,000 of entrance fees that have been  
 19 deferred by 80 people. After they sold their home,  
 20 they were able to pay the entrance fee.

21 So the benefit to that is people are able  
 22 to sell their home, you know, basically move into  
 23 the project, sell their home, but they get to enjoy  
 24 the benefit of the campus before their home is

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1 actually sold.

2 You know, it's, like I said, 88 people

3 utilize that program. So it's been a really  
4 successful program, not just us, but a lot of  
5 projects around Chicago.

6 CHAIRMAN HORNE: So is your model to sell, you  
7 know, just to pick a number, I don't know what the  
8 numbers are in terms of the values of these homes,  
9 and then do you buy them back, you know, at the time  
10 someone is deceased or they want to move?

11 DeYOUNG: Yeah. I mean, the model of the  
12 project is what you would do is, for us, we're  
13 type A CCRC. So what happens with the type A CCRCs  
14 is you come in, and you pay an entrance fee of  
15 \$400,000.

16 With that, you'll pay a monthly fee of  
17 \$3,000. The benefit that you immediately get is  
18 insurance, basically an insurance policy with that,  
19 because as you move through the continuum --

20 CHAIRMAN HORNE: Right.

21 DeYOUNG: -- your monthly fee doesn't go up.  
22 So even though, theoretically, somebody coming in  
23 from the community might have to pay \$300 a day for  
24 the nursing home, your fee is really fixed at what

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1 your entrance fee was, or I mean your monthly fee  
2 was at the beginning.

3 CHAIRMAN HORNE: Right.

4 DeYOUNG: Then what happens on the backside is  
5 after you leave the building, and we sell your unit  
6 to the next generation, we will give you back 90  
7 percent of your entrance fee.



8 CHAIRMAN HORNE: Okay, that's what I was  
9 wonderi ng.

10 DeYOUNG: So we have a very -- obviously, the  
11 model is very dependent upon making sure we operate  
12 well, and also that we keep the building marketable.

13 You know, we want to make sure that the  
14 building doesn't get dated, and obviously you got to  
15 provide great service because our number one  
16 referrals are the existing residents in the  
17 building.

18 CHAIRMAN HORNE: Okay.

19 GOETZ: So your fee remains the same as you  
20 move through the continuum of care?

21 DeYOUNG: Yeah. It gets inflated by 3 percent,  
22 but that would be about it.

23 LENANE: That's unusual, I think. I think  
24 usually when you move into assisted living, the

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1 monthly fee goes up a little bit, not a lot.

2 CHAIRMAN HORNE: There's definitely usually  
3 some inflation on that.

4 DeYOUNG: It depends on the project.

5 GOETZ: I can understand inflation, but  
6 actually keeping it the same.

7 DeYOUNG: You know, some of the projects will  
8 give you 100 days for that fee. But in our case,  
9 you know, the model is really to get you through the  
10 whole continuum at that rate.

11 CHAIRMAN HORNE: And so if you're operating at

12 a discount up front, is that discount applied at the  
13 back? So if you're selling it for 90 percent, and  
14 you're giving a 10-percent discount, does it break  
15 even, or is it 90 percent?

16 DeYOUNG: You're getting 90 percent of what you  
17 pay.

18 CHAIRMAN HORNE: I see.

19 DeYOUNG: So, theoretically, if real estate  
20 values go up --

21 CHAIRMAN HORNE: I get it.

22 DeYOUNG: -- then the project gets the benefit,  
23 and actually the numbers -- there's an actuarial  
24 number where the turnover of entrance fees generate

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1 part of the cash flow of the project out in the  
2 future.

3 CHAIRMAN HORNE: So the Class B bonds are going  
4 to be repaid with those entrance fees?

5 DeYOUNG: The initial ones, yeah.

6 CHAIRMAN HORNE: Okay.

7 DeYOUNG: Yeah. So as we go from 157 units  
8 occupied, ultimately until every unit has been sold,  
9 that's the money that is going to be used to pay the  
10 B bonds down.

11 CHAIRMAN HORNE: Got it.

12 LENANE: Also, I did forget to mention, besides  
13 having lower rates, they've extended the maturities.

14 DeYOUNG: Right.

15 LENANE: Which gives them some breathing room  
16 on payments. It's very similar to the St. Benedict

17 restructuring, giving them lower rates on a longer  
18 term to pay off the bonds, and the bondholders are  
19 happy with that because they just want to get paid.

20 CHAIRMAN HORNE: Right.

21 LENANE: And they've been getting 8 percent tax  
22 exempt. I mean, that's 10 percent. That's a really  
23 high yield in their portfolio. And you have a great  
24 relationship with your investors.

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1 DeYOUNG: The institutional.

2 LENANE: You talk with them all the time,  
3 Invsco and Bernstein Alliance, and there are many  
4 Ziegler projects. We have done this before.

5 It would have been nice if we could have  
6 worked this out without having to go to the  
7 Bankruptcy Court, but it was impossible because you  
8 never can reach 100 percent of the bondholders.

9 CHAIRMAN HORNE: Right.

10 LENANE: I've tried that several times on  
11 different things. You can't find them. You just  
12 can't find them.

13 MEISTER: And before we close out the  
14 presentation, if I could just ask Bruce Weisenthal  
15 to really briefly touch upon the indemnity  
16 provisions in both the 2010 and how they work  
17 through the bankruptcy and the tender of exchange.  
18 Just very briefly, Bruce.

19 WEISENTHAL: Sure. Just to pick up very  
20 briefly on what Pam just mentioned, under the

21 Bankruptcy Code, in order to implement the  
22 restructuring, you need two-thirds of the par A  
23 bonds outstanding to approve the plan, and  
24 50 percent of the bondholders, as opposed to

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1 100 percent of the bondholders under the bond  
2 documents.

3 So that ease of getting consent to the  
4 restructuring is the reason for the bankruptcy. The  
5 bankruptcy actually provides a little bit of added  
6 protection to the IFA that otherwise wouldn't be  
7 available to it.

8 The plan, itself, includes a release by  
9 the bondholders, and everybody who consents to the  
10 plan of any and all claims that may -- or existed,  
11 or may have existed, prior to the approval of the  
12 restructuring plan by the Bankruptcy Court.

13 So, in fact, we get a release that  
14 otherwise if they had just done 100-percent  
15 bondholder consent under the documents, would not  
16 have been available to us; and that bankruptcy order  
17 makes that, you know, completely final and  
18 enforceable for all time.

19 Secondly, the bankruptcy order will  
20 reassert the IFA's indemnities that were in the 2010  
21 deal, that would otherwise have lapsed when the  
22 bonds were replaced by the 2014 agreements.

23 And, finally, the 2016 agreements contain  
24 going forward indemnities that are, you know,

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1 traditional in a conduit bond financing of IFA.

2 So in some ways the bankruptcy, although  
3 it's a little more expensive and has some -- you  
4 know, however you measure reputational consequences  
5 on the borrower and the IFA, it protects the IFA  
6 more thoroughly than a simple bond exchange would  
7 have.

8 CHAIRMAN HORNE: So a simple bond exchange  
9 would have been the other option, had you not had  
10 2,000 retail investors?

11 LENANE: Right.

12 CHAIRMAN HORNE: And you had unanimous consent  
13 with the institution's end?

14 LENANE: Right. Exactly. Exactly.

15 CHAIRMAN HORNE: Got it.

16 GOETZ: I'll make a motion to approve this.  
17 But before we do, can you explain what policy we're  
18 waiving concerning nonrated bonds?

19 MEISTER: Pam?

20 LENANE: We have a policy, if you're selling  
21 nonrated bonds, they have to be sold in \$100,000  
22 denominations.

23 GOETZ: Okay.

24 LENANE: These can't be sold in \$100,000

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1 denominations because they are exchanged. They have  
2 to be exchanged in whatever denominations they are

3 in.

4 GOETZ: I just don't know what policy we were

5 in.

6 LENANE: I'm sorry. I should have made that  
7 clear.

8 GOETZ: I'll make a motion.

9 FUENTES: Second.

10 CHAIRMAN HORNE: All those in favor?

11 (A chorus of ayes.)

12 CHAIRMAN HORNE: Okay. I don't think -- I  
13 think that concludes this agenda.

14 MR. ZELLER: Do you need Adam's vote?

15 MEISTER: No. I think any other business, and  
16 any other public comment, and then entertain a  
17 motion to adjourn.

18 CHAIRMAN HORNE: Okay. Do we have any other  
19 business for this committee?

20 (No response.)

21 CHAIRMAN HORNE: Is there any public comment  
22 for this committee?

23 (No response.)

24 CHAIRMAN HORNE: If none, I would ask for a  
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1 motion to adjourn.

2 GOETZ: So moved.

3 ZELLER: Second.

4 FLETCHER: All in favor?

5 (A chorus of ayes.)

6 FLETCHER: The time is 9:43.

7 (WHICH WERE ALL THE PROCEEDINGS HAD at 9:43 a.m.)

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1 STATE OF ILLINOIS )  
2 COUNTY OF COOK ) SS:

3  
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 meeting.

11

\_\_\_\_\_  
PAMELA A. MARZULLO

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