$111,540,000 – FINAL ISSUANCE AMOUNT – CLOSED 3/13/2013

PAB CONDUIT

January 8, 2013

$160,000,000
Franciscan Communities, Inc.

REQUEST	**Purpose**: The proceeds will be used by **Franciscan Communities, Inc.** ("**FC**") and/or **University Place, Inc.** ("**UP**") (collectively, FC and UP are referred to hereinafter as "**Borrower**" and/or "**Proposed Obligated Group**") to: (i) refund various series of bonds previously issued through the Illinois Finance Authority or the Illinois Health Facilities Authority; (ii) refund bonds previously issued through the Indiana Health Facility Financing Authority; (iii) refund bonds previously issued through Cuyahoga County, Ohio; (iv) fund new money projects for certain of the Proposed Obligated Group facilities; (v) establish one or more Debt Service Reserve Funds; and (vi) provide for the payment of costs of issuance associated with the Series 2013 Bonds. **Program**: Conduit 501(c)(3) Revenue Bonds (Multi-State) **Extraordinary Conditions**: None.
BOARD ACTIONS	Final Bond Resolution
MATERIAL CHANGES	None. Preliminary Bond Resolution approved November 13, 2012: Yeas: 11; Nays: 0; Abstentions: 0; Absent: 3 (Brandt, Barclay and Bronner); Vacancies: 1
JOB DATA	1,707 Current jobs; N/A New jobs projected N/A Retained jobs; 0 Construction jobs projected
DESCRIPTION	Illinois Locations: Cook, Will, and Lake Counties ● Upon completion of the financing, the Proposed Obligated Group will operate eight facilities in three states with an aggregate of 1,912 total units, including 511 entrance fee independent living units, 238 rental independent living units, 387 assisted living/sheltered units, and 776 nursing units. The new money projects will be at the Proposed Obligated Group's eight facilities that are located in three states.
CREDIT INDICATORS	● The plan of finance contemplates the issuance of approximately $100 million of tax-exempt fixed rate investment grade bonds (expected rating BBB- by Fitch) and no more than $35 million of variable rate direct-placed bank debt, comprised of no more than $15 million of variable rate tax-exempt debt and no more than $20 million of variable rate taxable debt.
SECURITY	● The security for the Bonds will be a gross revenue pledge of the Proposed Obligated Group under a Master Trust Indenture and a mortgage or leasehold mortgage on all properties in the Proposed Obligated Group.
MATURITY	● Bonds will mature no later than February15, 2048

SOURCES AND USES
ESTIMATED

Sources:		**Uses**:	
IFA Bonds (including bank debt)	$128,000,000	Payoff of Existing Debt	$106,000,000
Refunding DSRF	7,000,000	Project Fund	18,000,000
		New DSRF	8,700,000
		Cost of Issuance	2,300,000
Total	**$135,000,000**	**Total**	**$135,000,000**

RECOMMENDATION	Credit Review Committee recommends approval.

ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
January 8, 2013

Project: Franciscan Communities, Inc.

STATISTICS

Project Number:	H-SL-TE-CD-8587	Amount:	$160,000,000 (not-to-exceed)
Type:	501(c)(3) Revenue Bonds	IFA Staff:	Pam Lenane and Nora O'Brien
Locations:	Multiple	County/ Region:	Cook/Will/Lake Counties/Northeast Region

BOARD ACTION

Final Bond Resolution
Conduit 501(c)(3) Revenue Bonds (Multi-State)
Credit Review Committee recommends approval

No IFA funds at risk
No extraordinary conditions

VOTING RECORD

Preliminary Bond Resolution approved November 13, 2012:
Yeas: 11; Nays: 0; Abstentions: 0; Absent: 3 (Brandt, Barclay and Bronner); Vacancies: 1

PURPOSE

Bond proceeds will be used to: (i) currently refund all of the following Variable Rate Demand Bonds ("VRDB") previously issued through the Illinois Finance Authority or Illinois Health Facilities Authority for FC: Series 1996B, Series 2006A, and Series 2006B; (ii) advance or currently refund a portion or all of the following Adjustable Rate Bonds previously issued through the Illinois Finance Authority for FC: Series 2003D, Series 2003E-1, Series 2003E-2, Series 2003E-3, and Series 2004B; (iii) advance or currently refund all of the following Fixed Rate Bonds previously issued through the Illinois Finance Authority for FC: Series 2004A; (iv) advance or currently refund all of the following bonds previously issued through the Indiana Health Facility Financing Authority for FC: Series 2003A and Series 2003B, and; (v) advance or currently refund all of the following bonds previously issued through the Indiana Health Facility Financing Authority for UP: Series 2001A and Series 2001B; (vi) currently refund all of the Series 2004E Bonds that were previously issued through Cuyahoga County in Ohio for FC; (vii) fund new money projects for certain of the Proposed Obligated Group facilities; (viii) establish one or more Debt Service Reserve Funds for the Series 2013 Bonds; and (ix) provide for payment of the costs of issuance associated with the Series 2013 Bonds.

IFA PROGRAM AND CONTRIBUTION

501(c)(3) Bonds are a form of municipal bonds that 501(c)(3) corporations can use to finance capital projects that will be used to further their charitable missions. IFA's issuance will convey federal tax-exempt status on interest paid to bondholders, thereby reducing a borrower's interest expense.

VOLUME CAP

501(c)(3) Bonds do not require Volume Cap.

ESTIMATED SOURCES AND USES OF FUNDS

Sources:		**Uses**:	
IFA Bonds (including bank debt)	$128,000,000	Payoff of Existing Debt	$106,000,000
Refunding DSRF	7,000,000	Project Fund	18,000,000
		New DSRF	8,700,000
		Cost of Issuance	2,300,000
Total	**$135,000,000**	**Total**	**$135,000,000**

JOBS

Current employment:	1,707	Projected new jobs:	N/A
Jobs retained:	N/A	Construction jobs:	0

FINANCING SUMMARY

Credit Enhancement:	None
Structure:	Up to $104 million of the Series 2013 Bonds (the "Bonds") are expected to be sold with a BBB- (investment grade) rating from Fitch as fixed rate serial and term bonds. These Bonds are expected to amortize from 2013 to 2048. Additionally, up to $31 million of the Series 2013 Bonds will be structured as a combination of taxable and tax-exempt variable rate bank directly-purchased debt.
Interest Rate:	Up to $104 million of Bonds will be sold as fixed rate bonds with interest rates expected to yield from two percent (2.0%) to 5.70 percent (5.70%). The maximum $31 million of directly-placed bank debt is expected to be issued as variable rate debt (taxable and tax-exempt) tied to a percentage of LIBOR or LIBOR plus a defined credit spread.
Interest Rate Modes:	Fixed and Variable
Underlying Ratings:	Expected BBB- (investment grade) by Fitch (private rating to be delivered on January 7, 2013). The bank direct purchase bonds will be non-rated.
Maturity:	Not later than February 15, 2048
Estimated Closing Date:	February 25, 2013

PROJECT SUMMARY (FOR FINAL BOND RESOLUTION)

Bond proceeds will be used to: (i) currently refund all of the following Variable Rate Demand Bonds ("VRDB") previously issued through the Illinois Finance Authority or Illinois Health Facilities Authority for FC: Series 1996B, Series 2006A, and Series 2006B; (ii) advance or currently refund a portion or all of the following Adjustable Rate Bonds previously issued through the Illinois Finance Authority for FC: Series 2003D, Series 2003E-1, Series 2003E-2, Series 2003E-3, and Series 2004B; (iii) advance or currently refund all of the following Fixed Rate Bonds previously issued through the Illinois Finance Authority for FC: Series 2004A; (iv) advance or currently refund all of the following bonds previously issued through the Indiana Health Facility Financing Authority for FC: Series 2003A and Series 2003B, and; (v) advance or currently refund all of the following bonds previously issued through the Indiana Health Facility Financing Authority for UP: Series 2001A and Series 2001B; (vi) currently refund all of the Series 2004E Bonds previously issued through Cuyahoga County in Ohio for FC; (vii) fund new money projects for certain Proposed Obligated Group facilities; (viii) establish one or more Debt Service Reserve Funds for the Series 2013 Bonds; and (ix) provide for payment of the costs of issuance associated with the Series 2013 Bonds.

BUSINESS SUMMARY

Background:

The **Franciscan Sisters of Chicago Service Corporation** ("**FSCSC**") is the sole corporate member of FC and UP, which are collectively the "Borrower". FSCSC is sponsored by and is a senior care ministry of the Franciscan Sisters of Chicago ("**FSC**"). Through its various ministries, FSC has provided community-based housing and healthcare services to seniors for over 115 years. The vision of FSCSC (including the Proposed Obligated Group) is to become the optimal means which frees all those served to experience the fullness of their lives. All financial obligations of FC and UP associated with the proposed debt issuance (and all other expenses) have been, and will continue to be, the sole obligations of the Proposed Obligated Group.

Discussion:

FC is currently comprised of seven facilities, including five facilities in the greater Chicago area, one facility in Indiana, and one facility in Ohio. Collectively, the FC communities are also referred to herein as the "FC Obligated Group." FC is an Indiana 501(c)(3) eligible corporation. University Place ("UP") (formerly known as Franciscan Eldercare Services, Inc.) is a single site continuing care retirement community located in West Lafayette, Indiana. As a strategic part of the proposed financing, UP would become a member of the FC Obligated Group. Hereinafter, FC and UP will be also referred to, collectively, as the "Proposed Obligated Group."

Upon completion of the financing, the Proposed Obligated Group will operate eight facilities in three states with an aggregate of 1,912 total units, including 511 entrance fee independent living units, 238 rental independent living units, 387 assisted living/sheltered units, and 776 nursing units.

Proceeds of the Series 2013 Bonds will primarily be used to refund certain VRDBs, Adjustable Rate Bonds, and Fixed Rate Bonds (with the issuance of fixed rate bonds) previously issued for FC and UP. FC and UP had previously issued unrated and unenhanced bonds. FC and UP are not currently in default on any bonds and have not missed a payment date relative to any bonds in the immediately preceding three years, and, to the best of FC's and UP's knowledge, have never defaulted on a payment on any of the FC and UP bond issues.

Rationale:

The purpose of the refunding and restructuring is to take advantage of today's relatively low fixed interest rates for senior living providers. The refunding will allow FC and UP to favorably reduce variable interest rate exposure (i.e., from approximately 54% to approximately 17% of the overall debt structure for the Proposed Obligated Group). In addition to locking in attractive fixed interest rates, the Proposed Obligated Group will use this opportunity to extend the principal amortization of its debt. In general, the principal payments for the next 20 years will be somewhat lower than they would have been without the refunding, and principal will be amortized over a longer period of time. This will create cash flow savings following the refunding.

UP would be brought into the FC Obligated Group to integrate all operations into the Proposed Obligated Group moving forward. The proposed strategy is consistent with FSCSC's strategy to combine FC and UP into one Proposed Obligated Group.

The Proposed Obligated Group's pro forma historical financial information is highlighted below.

Total Operating Revenue by Community ($000s)

	For the Years Ended June 30,				
COMMUNITY	**2009**	**2010**	**2011**	**2012**	**Fiscal Quarter Ended September 30, 2012**
Addolorata Villa	$ 17,198	$ 17,423	$ 17,093	$ 17,613	$ 4,578
Franciscan Village	17,393	16,899	16,982	17,531	4,365
Marian Village	7,330	7,280	7,251	7,472	1,929
Mount Alverna Village	16,200	16,730	17,163	16,682	4,297
St. Anthony Home	18,960	19,342	20,392	20,278	5,220
St. Joseph Village of Chicago	7,667	7,558	7,902	7,835	2,041
The Village at Victory Lakes	15,777	16,749	19,067	20,015	4,967
FC Obligated Group	100,525	101,981	105,850	107,426	27,397
University Place	9,994	10,016	10,072	10,195	2,545
Proposed Obligated Group	**$110,519**	**$111,997**	**$115,922**	**$117,621**	**$ 29,942**

Revenues by Community as a % of Total Revenues (%)

	For the Years Ended June 30,				
COMMUNITY	**2009**	**2010**	**2011**	**2012**	**Fiscal Quarter Ended September 30, 2012**
Addolorata Villa	15.6%	15.6%	14.8%	15.0%	15.3%
Franciscan Village	15.7	15.1	14.6	14.9	14.6
Marian Village	6.6	6.5	6.3	6.3	6.4
Mount Alverna Village	14.7	14.9	14.8	14.2	14.4
St. Anthony Home	17.2	17.3	17.6	17.2	17.4
St. Joseph Village of Chicago	6.9	6.7	6.8	6.7	6.8
The Village at Victory Lakes	14.3	15.0	16.4	17.0	16.6
FC Obligated Group	91.0	91.1	91.3	91.3	91.5
University Place	9.0	8.9	8.7	8.7	8.5
Proposed Obligated Group	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Certain proceeds from the Series 2013 Bonds will be used to fund a relatively small amount of capital improvements at the Proposed Obligated Group's facilities. Finally, bond proceeds will be used to fund one or more Debt Service Reserve Funds and to fund issuance costs comprising up to two percent (2%) of the issuance.

ECONOMIC DISCLOSURE STATEMENT

Applicant: Franciscan Communities, Inc.

Site Address: Franciscan Communities, Inc.
1055 West 175th Street, Suite 202
Homewood, IL 60430
(708) 647-6500

Contact: Ronald Tinsley, Treasurer

Website: www.franciscancommunities.com

Project name: Franciscan Communities, Inc.

Organization: 501(c)(3) Indiana Not-For-Profit Corporation

State: Illinois, Indiana, and Ohio

Ownership/Fiscal 2012-13 Board Members (501(c)(3)):

Name & Title	**Term Expiration**	**Occupation Place of Residence**	**Committee Membership**
Sr. M. Francis Clare Radke Chairman	N/A*	Chairperson Lemont, IL	Executive Executive Compensation
Annette Shoemaker	2017	Director ELCA Foundation Wheaton, IL	Executive Audit/Finance Investment Sub-Committee
Judy Amiano President	N/A*	President/CEO Bourbonnais, IL	Executive Audit/Finance Investment Sub-Committee Executive Compensation Quality Improvement/ Risk Management
Ronald Tinsley Treasurer	Non-Voting Member	CFO Lansing, IL	Audit/Finance Investment Sub-Committee
Tracy Shearer Assistant Secretary	Non-Voting Member	Manager of Administrative Services Hobart, IN	
Denise Boudreau Assistant Secretary	Non-Voting Member	Administrative Assistant Crest Hill, IL	

*Denotes Ex-Officio

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Ungaretti & Harris LLP	Chicago	James Broeking
Auditor:	Ernst & Young LLP	Chicago	Tadd Ingles
Bond Counsel	Jones Day LLP	Chicago	John Bibby
Underwriter(s):	BB&T Capital Markets	Richmond, VA	John Franklin
Underwriters' Counsel:	Peck Shaffer LLP	Chicago	Tom Smith
Accountant:	Ernst & Young LLP	Chicago	Tadd Ingles
IFA Counsel:	Schiff Hardin LLP	Chicago	Bruce Weisenthal
IFA's Financial Advisor:	Public Financial Management, Inc.	Chicago	Shannon Williams

LEGISLATIVE DISTRICTS

Congressional: 5, 8, 10, 13
State Senate: 20, 27, 31, 41
State House: 40, 53, 61, 81, 82

SERVICE AREA

FC is presently comprised of seven senior care communities providing independent living, assisted living, and nursing services in continuum of care campuses in the states of Illinois, Indiana, and Ohio. The communities that comprise FC presently include: Addolorata Villa located in Wheeling, Illinois; Franciscan Village located in Lemont, Illinois; Marian Village located in Homer Glen, Illinois; St. Joseph Village of Chicago located in Chicago, Illinois; The Village at Victory Lakes located in Lindenhurst, Illinois; St. Anthony Home located in Crown Point, Indiana; and Mount Alverna Village located in Parma, Ohio. FC, an Indiana not-for-profit corporation, is currently the sole member of the FC Obligated Group.

UP is a not-for-profit continuing care retirement community located in West Lafayette, Indiana and is presently a single asset affiliate of FC. UP is a tax-exempt under Internal Revenue Section 501(c)(3). As described previously herein, a strategic goal of the proposed financing is for UP to become a member of the FC Obligated Group.

A map detailing the locations of the corporate office of FSCSC (Homewood, Illinois) (as previously described – see "Business Summary" for descriptions) and each facility within the Proposed Obligated Group (see "Business Summary" for descriptions) is presented below.