



December 11, 2012

\$90,000,000
Ingalls Health System

REQUEST	<p>Purpose: The proceeds will be used by Ingalls Health System (“Ingalls”, the “Corporation” or the “Borrower”) to: (i) refund all of the Illinois Health Facilities Authority Revenue Bonds, Series 1994 (Ingalls Health System Project); (ii) pay or reimburse the Corporation for the payment of the cost of acquiring, constructing, renovating, remodeling and equipping certain of its health facilities, including without limitation the renovation of the Corporation’s intensive care unit and heart catheterization laboratory; (iii) pay a portion of the interest on the Series 2013 Bonds; (iv) provide working capital; (v) establish a debt service reserve fund for the benefit of the Series 2013 Bonds, if deemed necessary or desirable; and (vi) pay certain expenses incurred in connection with the issuance of the Series 2013 Bonds and the refunding of the Series 1994 Bonds.</p> <p>Program: Conduit 501(c)(3) Revenue Bonds</p> <p>Extraordinary Conditions: None.</p>																				
BOARD ACTIONS	Final Bond Resolution (<i>One-time consideration</i>)																				
MATERIAL CHANGES	None. This is the first time this project is being presented to the Board.																				
JOB DATA	<table> <tr> <td>1,700 FTEs</td> <td>Current jobs</td> <td>N/A</td> <td>New jobs projected</td> </tr> <tr> <td>1,700 FTEs</td> <td>Retained jobs</td> <td>35</td> <td>Construction jobs projected</td> </tr> </table>	1,700 FTEs	Current jobs	N/A	New jobs projected	1,700 FTEs	Retained jobs	35	Construction jobs projected												
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DESCRIPTION	<ul style="list-style-type: none"> • Location: Harvey/Cook County • The Borrower is an Illinois not for profit corporation, exempt from federal income tax as an organization described in Section 501(c)(3) of the Code, and is the sole corporate member of Ingalls Memorial Hospital. As the Parent, it’s corporate purpose is to promote, support, and develop the charitable, educational, and scientific activities of certain not for profit healthcare organizations of which it is the sole member, and to be the sole shareholder of certain for profit corporate subsidiaries. Ingalls Memorial Hospital is also an Illinois not for profit corporation, exempt from federal income tax as an organization described in Section 501(c)(3) of the Code. 																				
CREDIT INDICATORS	<ul style="list-style-type: none"> • Ingalls expects a long-terms rating of BBB+ (Stable) by Moody’s 																				
SECURITY	<ul style="list-style-type: none"> • The Bonds will be secured by a Direct Note Obligation issued pursuant to a Master Trust Indenture. 																				
STRUCTURE	<ul style="list-style-type: none"> • The current plan of finance anticipates the issuance of fixed rate bonds in a public offering. 																				
MATURITY	<ul style="list-style-type: none"> • Bonds will mature no later than 2045 																				
SOURCES AND USES ESTIMATED	<table> <thead> <tr> <th colspan="2">Sources:</th> <th colspan="2">Uses:</th> </tr> </thead> <tbody> <tr> <td>IFA Bonds</td> <td><u>\$71,320,000</u></td> <td>Refund Series 1994 Bonds</td> <td>\$40,320,000</td> </tr> <tr> <td></td> <td></td> <td>New Money</td> <td>\$30,000,000</td> </tr> <tr> <td></td> <td></td> <td>COI (Estimated)</td> <td><u>\$1,000,000</u></td> </tr> <tr> <td>Total</td> <td><u>\$71,320,000</u></td> <td>Total</td> <td><u>\$71,320,000</u></td> </tr> </tbody> </table>	Sources:		Uses:		IFA Bonds	<u>\$71,320,000</u>	Refund Series 1994 Bonds	\$40,320,000			New Money	\$30,000,000			COI (Estimated)	<u>\$1,000,000</u>	Total	<u>\$71,320,000</u>	Total	<u>\$71,320,000</u>
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RECOMMENDATION	Credit Committee recommends approval.																				

**ILLINOIS FINANCE AUTHORITY
 BOARD SUMMARY
 December 11, 2012**

Project: Ingalls Health System

STATISTICS

Project Number:	H-HO-TE-CD-8592	Amount:	\$90,000,000 (not-to-exceed)
Type:	501(c)(3) Revenue Bonds	IFA Staff:	Pam Lenane and Nora O'Brien
Locations:	Harvey	County/Region:	Cook County/Northeast

BOARD ACTION

Final Bond Resolution (<i>One-time consideration</i>)	No IFA funds at risk
Conduit 501(c)(3) Revenue Bonds	No extraordinary conditions
Credit Review Committee recommends approval	

VOTING RECORD

This is the first time this project has been presented to the Board.

PURPOSE

Bond Proceeds will be used by **Ingalls Health System** (“**Ingalls**”, the “**Corporation**” or the “**Borrower**”) to: (i) refund all of the Illinois Health Facilities Authority Revenue Bonds, Series 1994 (Ingalls Health System Project); (ii) pay or reimburse the Corporation for the payment of the cost of acquiring, constructing, renovating, remodeling and equipping certain of its health facilities, including without limitation the renovation of the Corporation’s intensive care unit and heart catheterization laboratory; (iii) pay a portion of the interest on the Series 2013 Bonds; (iv) provide working capital; (v) establish a debt service reserve fund for the benefit of the Series 2013 Bonds, if deemed necessary or desirable; and (vi) pay certain expenses incurred in connection with the issuance of the Series 2013 Bonds and the refunding of the Series 1994 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 mission. IFA’s issuance will convey federal tax-exempt status on interest paid to bondholders, thereby reducing the Borrower’s interest expense.

VOLUME CAP

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

ESTIMATED SOURCES AND USES OF FUNDS

Sources:	IFA Bonds	<u>\$71,320,000</u>	Uses:	Refund Series 1994 Bonds	\$40,320,000
				New Money	\$30,000,000
				COI (Estimated)	<u>\$1,000,000</u>
	Total	<u>\$71,320,000</u>		Total	<u>\$71,320,000</u>

JOBS

1,700 FTEs	Current jobs	N/A	New jobs projected
1,700 FTEs	Retained jobs	35	Construction jobs projected

FINANCING SUMMARY

Security:	The Bonds will be secured by a Direct Note Obligation issued pursuant to a Master Trust Indenture.
Structure:	The current plan of finance anticipates the issuance of fixed rate bonds. Ingalls may elect to issue some of the bonds as insured bonds should market conditions provide a benefit in doing so.
Interest Rate:	To be determined the day of pricing depending on market conditions.
Interest Mode:	Fixed Rate
Credit Enhancement:	No
Maturity:	Up to 30 Years
Rating:	BBB+ (Moody's)
Estimated Closing Date:	February, 2013

PROJECT SUMMARY (FOR FINAL BOND RESOLUTION)

Bond Proceeds will be used by Ingalls Health System to: (i) refund all of the \$69,710,000 Illinois Health Facilities Authority Revenue Bonds, Series 1994 (Ingalls Health System Project), \$40,320,000 of which are currently outstanding (the "Series 1994 Bonds"); (ii) pay or reimburse the Corporation for the payment of the cost of acquiring, constructing, renovating, remodeling and equipping certain of its health facilities, including without limitation the renovation of the Corporation's intensive care unit and heart catheterization laboratory (the "Project"); (iii) pay a portion of the interest on the Series 2013 Bonds; (iv) provide working capital; (v) establish a debt service reserve fund for the benefit of the Series 2013 Bonds, if deemed necessary or desirable; and (vi) pay certain expenses incurred in connection with the issuance of the Series 2013 Bonds and the refunding of the Series 1994 Bonds, all as permitted by the Act (collectively, the "Financing Purposes").

BUSINESS SUMMARY

Background:	The Borrower, founded in 1923, is an Illinois not for Profit Corporation exempt from federal income tax under Section 501 (c) (3) of the Code. The Borrower is sole corporate member of the Hospital Facility which operates a 407-licensed bed acute care facility, of which 374 beds are currently staffed (the "Hospital Facility"). The Hospital Facility provides secondary and certain tertiary care services and is located on 22 acres of land in Harvey, Illinois. The City of Harvey is a suburb located approximately 20 miles south of downtown Chicago, Illinois. Harvey is accessible by major highways and railways serving the south suburban area. The Corporation also operates four ambulatory care centers, which are located in Tinley Park, Matteson, Calumet City, and Flossmoor. Other ambulatory footprints include the Ingalls Center for Outpatient Rehab in Calumet City, IL; Ingalls Wellness Center in Homewood, IL; and the Cancer Support Center Mokena, IL. The Corporation employs approximately 2,500 employees, equating to approximately 1,700 full-time equivalent employees.
Structure:	The Borrower is an Illinois not for profit corporation, exempt from federal income tax as an organization described in Section 501(c)(3) of the Code. It is the sole corporate member of the Hospital. The Borrower's purpose is to promote, support, and develop the charitable, educational, and scientific activities of certain not for profit healthcare organizations of which it is the sole member, and to be the sole shareholder of certain for profit corporate subsidiaries. The Borrower is an Illinois not for profit corporation, exempt from federal income tax as an organization described in Section 501(c)(3) of the Code.

ECONOMIC DISCLOSURE STATEMENT

Applicant: Ingalls Health System

Site Address: 1 Ingalls Drive
Harvey, IL 60426

Contact: Andrew Stefo
Chief Financial Officer
astefo@ingalls.org

Website: www.ingalls.org

Project name: Ingalls Health System

Organization: 501(c)(3) Not-for-Profit Corporation

State: Illinois

Ownership/2011-12 Board Members (501(c)(3)):

<u>Name</u>	<u>Term Expires</u> <u>June 30,</u>	<u>Name</u>	<u>Term Expires</u> <u>June 30,</u>
Eugene M. Feingold	2014	Richard M. King	2015
Lyndell S. Beckham	2015	Neal E. Kitchell	2015
Samuel J. Cutrara, Jr.	2015	Mark F. Kozloff, M.D.	2014
Heather Davis	2015	David H. Orth, M.D.	2014
Dennis J. Irvin	2013	Kevin M. Purcell	2014
Henry K. Johnson	2014	Nathaniel K. Sutton	2015
Timothy D. Johnson	2014	Robert G. Velo	2013
Michael P. Kamradt	2013	Robert L. Harris	2013
		Kurt E. Johnson	<i>ex officio</i>

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Timothy G. Lawler, Ltd.	Hinsdale	Timothy Lawler
Financial Advisor:	Kaufman Hall	Skokie	Betty Lam
Auditor:	KPMG	Chicago	Darryl Buikema
Bond Counsel:	Jones Day	Chicago	Mike Mitchell
Underwriter:	Bank of America Merrill Lynch	New York	Ken Vallrugo
Underwriter's Counsel:	Ungaretti & Harris	Chicago	Tom Fahey
Bond Trustee:	The Bank of New York	Chicago	Daryl Pomykala
Issuer's Counsel:	Pugh Jones & Johnson	Chicago	Lorraine Tyson
IFA Financial Advisor:	Public Financial Management Inc.	Chicago	Shannon Williams

LEGISLATIVE DISTRICTS

Congressional: 2
State Senate: 15
State House: 30

SERVICE AREA

The Hospital serves a broad geographic market, attracting patients from the South and Southwestern Chicago suburbs. The map on the following page depicts its Illinois service area.

