



May 13, 2014

**\$193,000,000
Centegra Health System**

REQUEST	<p>Purpose: Bond proceeds of the Series 2014A (presented to the Board in March 2014) , the Series 2014B Bonds and the Series 2014C Bonds will be used by Centegra Health System (“Centegra”, or the “Borrower”) to: (i) pay or reimburse one or more of the Borrowers for the payment of certain costs of acquiring, constructing, renovating, remodeling and equipping certain “projects” (as such term is defined in the Act), including, but not limited to, the construction and equipping of an approximately 384,000-square foot, 128-bed acute care hospital facility expected to be owned, operated and managed by Centegra Hospital – Huntley; (ii) provide working capital to one or more of the Borrowers, if deemed necessary or advisable by the Borrowers or the Authority; (iii) pay a portion of the interest on the Bonds, if deemed necessary or advisable by the Borrowers or the Authority; (iv) fund a debt service reserve fund, if deemed necessary or advisable by the Borrowers or the Authority; and (v) pay certain expenses incurred in connection with the issuance of the Bonds, all as permitted by the Act (collectively, the “Financing Purposes”).</p> <p>Program: Conduit 501(c)(3) Revenue Bonds</p> <p>Extraordinary Conditions: None.</p>																				
BOARD ACTIONS	<p>Final Bond Resolution Preliminary Bond Resolution approved 2/11/2014 Yeas: 10; Nays: 0; Abstentions: 1 (Goetz); Absent 4 (Gold, Leonard, Pedersen, Tessler); Vacancies: 0</p>																				
MATERIAL CHANGES	<p>The updates the report submitted to the IFA Board of Directors on March 11, 2014 to incorporate details regarding the Series 2014B Bonds and the Series 2014C Bonds.</p>																				
JOB DATA	<table border="0"> <tr> <td>N/A</td> <td>Current jobs</td> <td>1,100</td> <td>New jobs projected</td> </tr> <tr> <td>N/A</td> <td>Retained jobs</td> <td>800</td> <td>Construction jobs projected</td> </tr> </table>	N/A	Current jobs	1,100	New jobs projected	N/A	Retained jobs	800	Construction jobs projected												
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DESCRIPTION	<ul style="list-style-type: none"> • Locations: The new Centegra Hospital - Huntley will be located in Huntley, Illinois. Centegra Health System also has hospitals in McHenry and Woodstock. •Centegra Hospital-Huntley will be located in southern McHenry County to meet the existing bed need, as determined by the Illinois Department of Public Health and the Illinois Health Facilities and Services Review Board in their “Revised Bed Need Determinations” to the “Inventory of Health Care Facilities and Services and Need Determinations,” as well as the anticipated increase in Medical/Surgical bed need that will occur between 2015 and the hospital’s second full year of operation (July, 2017 – June, 2018). The new hospital is proposed to have a total of 128 authorized beds: 100 Medical/Surgical beds; 8 Intensive Care beds; and 20 Obstetrical beds. 																				
SECURITY	<ul style="list-style-type: none"> • The plan of finance for both series contemplates the issuance of tax-exempt Bonds in an aggregate amount not to exceed \$193,000,000 under a Master Financing Agreement. 																				
CREDIT INDICATORS	<ul style="list-style-type: none"> • Centegra Health System is currently rated BBB+ Stable by Standard & Poor’s (affirmed on 1/22/14); and rated A- Negative by Fitch (affirmed on 10/21/13). 																				
STRUCTURE	<ul style="list-style-type: none"> • The Series 2014B Bonds and the Series 2014C Bonds will be variable rate and purchased directly by Wintrust Financial Corporation and First Midwest Bank. 																				
SOURCES AND USES ESTIMATED	<table border="0"> <tr> <td>Sources:</td> <td>Uses:</td> <td></td> <td></td> </tr> <tr> <td>IFA Bonds</td> <td>\$193,000,000</td> <td>Centegra Hospital – Huntley</td> <td>\$180,650,000</td> </tr> <tr> <td></td> <td></td> <td>Routine capital expenditures</td> <td>\$10,000,000</td> </tr> <tr> <td></td> <td></td> <td>Cost of Issuance (estimated)</td> <td><u>\$2,350,000</u></td> </tr> <tr> <td>Total</td> <td><u>\$193,000,000</u></td> <td>Total</td> <td><u>\$193,000,000</u></td> </tr> </table>	Sources:	Uses:			IFA Bonds	\$193,000,000	Centegra Hospital – Huntley	\$180,650,000			Routine capital expenditures	\$10,000,000			Cost of Issuance (estimated)	<u>\$2,350,000</u>	Total	<u>\$193,000,000</u>	Total	<u>\$193,000,000</u>
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RECOMMENDATION	<p>Credit Review Committee recommends approval.</p>																				

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
May 13, 2014**

Project: Centegra Health System

STATISTICS

Project Number: H-HO-TE-CD-8671	Amount: \$193,000,000 (not-to-exceed)
Type: 501(c)(3) Bonds	IFA Staff: Pam Lenane and Nora O'Brien
City: Huntley	County/Region: McHenry/Northeast

BOARD ACTION

Final Bond Resolution	No IFA Funds at Risk
Conduit 501(c)(3) Bonds	No Extraordinary Conditions
Credit Review Committee recommends approval	

VOTING RECORD

Preliminary Bond Resolution approved 2/11/2014
Yeas: 10; Nays: 0; Abstentions: 1 (Goetz); Absent 4 (Gold, Leonard, Pedersen, Tessler); Vacancies:0

PURPOSE

Bond proceeds will be used by **Centegra Health System** to (i) pay or reimburse one or more of the Borrowers for the payment of certain costs of acquiring, constructing, renovating, remodeling and equipping certain "projects" (as such term is defined in the Act), including, but not limited to, the construction and equipping of an approximately 384,000-square foot, 128-bed acute care hospital facility expected to be owned, operated and managed by Centegra Hospital – Huntley; (ii) provide working capital to one or more of the Borrowers, if deemed necessary or advisable by the Borrowers or the Authority; (iii) pay a portion of the interest on the Bonds, if deemed necessary or advisable by the Borrowers or the Authority; (iv) fund a debt service reserve fund, if deemed necessary or advisable by the Borrowers or the Authority; and (v) pay certain expenses incurred in connection with the issuance of the Bonds, all as permitted by the Act (collectively, the "Financing Purposes").

IFA PROGRAM AND CONTRIBUTION

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

VOLUME CAP

501(c)(3) bond issues do not require Volume Cap.

JOBS

Current employment: N/A	Projected new jobs: 1,100
	Construction jobs: 800

ESTIMATED SOURCES AND USES OF FUNDS

Sources:		Uses:	
IFA Bonds	<u>\$193,000,000</u>	Centegra Hospital – Huntley	\$180,650,000
		Other Routine Capital	\$10,000,000
		Cost of Issuance (estimated)	<u>\$2,350,000</u>
Total	<u>\$193,000,000</u>	Total	<u>\$193,000,000</u>

FINANCING SUMMARY

Security:	Revenue Pledge
Structure:	The Series 2014A fixed rate bonds will be sold in a public offering. The Series 2014B and Series 2014C variable rate bonds will be purchased directly by Wintrust and First Midwest Bank.
Interest Rate:	Variable rate tied to 30-day LIBOR plus a credit spread.
Interest Mode:	The Series 2014A Bonds will be issued as fixed rate bonds. The Series 2014B Bonds and Series 2014C Bonds will be variable rate.
Rating:	The Series 2014A Bonds will be rated. The Series 2014B and Series 2014C Bonds will not be rated and purchased directly by Wintrust Financial Corporation and First Midwest Bank.
Maturity:	No later than 2044
Estimated Closing Date:	June, 2014

PROJECT SUMMARY (FOR FINAL BOND RESOLUTION)

The proceeds of the Series 2014A (presented to the Board in March 2014), the Series 2014B Bonds and the Series 2014C Bonds will be used by Centegra Health System, an Illinois not for profit corporation (“Centegra”), on behalf of itself and Northern Illinois Medical Center (d/b/a Centegra Hospital McHenry), Memorial Medical Center – Woodstock (d/b/a Centegra Hospital – Woodstock), NIMED Corp. and Centegra Hospital – Huntley, each an Illinois not for profit corporation and an affiliate of Centegra (collectively, the “Borrowers”) to: (i) pay or reimburse one or more of the Borrowers for the payment of certain costs of acquiring, constructing, renovating, remodeling and equipping certain “projects” (as such term is defined in the Act), including, but not limited to, the construction and equipping of an approximately 384,000-square foot, 128-bed acute care hospital facility expected to be owned, operated and managed by Centegra Hospital – Huntley; (ii) provide working capital to one or more of the Borrowers, if deemed necessary or advisable by the Borrowers or the Authority; (iii) pay a portion of the interest on the Bonds, if deemed necessary or advisable by the Borrowers or the Authority; (iv) fund a debt service reserve fund, if deemed necessary or advisable by the Borrowers or the Authority; and (v) pay certain expenses incurred in connection with the issuance of the Bonds, all as permitted by the Act (collectively, the “Financing Purposes”).

BUSINESS SUMMARY

Centegra Health System (“**Centegra**” and /or the “**System**”) is an Illinois not-for-profit corporation that provides health care and other related services to Chicago’s far northwestern suburban metropolitan area. Acute inpatient care services are provided at the System’s two hospitals, the 166-acute-care-bed Northern Illinois Medical Center (“**NIMC**”) in McHenry, IL, and the 86-acute-care-bed Memorial Medical Center (“**MMC**”) in Woodstock, IL. Centegra is the parent and sole corporate member of NIMC and MMC. In July, 2012, the Illinois Health Facilities and Services Review Board approved the application for the 128-bed Centegra Hospital – Huntley.

In addition to acute inpatient services provided at NIMC and MMC, the System also provides health care services through other affiliates and subsidiary corporations. Such services include thirteen primary care clinics located in McHenry, Kane, and Lake Counties, two health and wellness centers, behavioral health services, rehabilitation and sports medicine, surgery, diabetes care, home health care, cardiac rehabilitation, occupational health, spine center, wound care center, sleep disorders clinic, bariatric, and neurology services.

Centegra Health System includes the following affiliated entities:

- Northern Illinois Medical Center
- Memorial Medical Center

- Centegra Health System Foundation;
- NIMED Corp., a not-for-profit entity that owns real estate, leases office space, and houses joint ventures;
- Health Bridge Corporation and Centegra Health Bridge Fitness Center L.L.C., health and wellness centers;
- Centegra Management Services, Inc., a for-profit general management services company for physician practices;
- Centegra Insurance Services, LTD, a captive insurance plan;
- Centegra Primary Care L.L.C., an operator of various group physician practices with an emphasis on primary care and 82 physicians;
- Centegra Clinical Laboratories, L.L.C., a reference laboratory providing laboratory and pathology services to Centegra Health System and its affiliates;
- Centegra Health & Wellness Network, a clinically integrated health care network encompassing Centegra's independent and employed medical staff, hospitals, and ancillary affiliates.

Only Centegra, NIMC, MMC and NIMED are presently members of the Centegra Health System Obligated Group. The intent is to add Centegra Hospital – Huntley to the Obligated Group in conjunction with this financing.

ECONOMIC DISCLOSURE STATEMENT

Applicant: Centegra Health System
Location: 4209 West Shamrock Lane
McHenry, Illinois 60050
Project name: Centegra Hospital Huntley
Organization: 501(c)(3) Not-for-Profit Corporation
State: Illinois
Contact: Eric Zornow, Vice President of Finance and Treasury

Board of Trustees:

Terrence J. Bugno	Angela McAuley	Spiro Gerolimos – Ex-Officio
Tom Carey	Pat Morehead	Clare Legursky – Ex-Officio
William Cox	Christian Newkirk	
Mike Curran	Jack Porter	
Michael S. Eesley	Kathy Powell	
Luke Johnsos	Charles Ruth	
Richard Lind	Charie Zanck	
Michael Luecht		

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	K&L Gates	Chicago	Richard Sevcik
Accountant:	KPMG LLP	Chicago	Darryl Buikema
Financial Advisor:	Kaufman Hall	Skokie	Eric A. Jordahl
Bond Counsel:	Chapman and Cutler	Chicago	Mike Mitchell
Banks:	Wintrust Financial Corporation	Chicago	Kandice Lenti
	First Midwest Bank	Chicago	Steven Rankins
Bank Counsel:	Ungaretti & Harris	Chicago	Julie Seymour
Issuer's Counsel:	Miller Canfield	Chicago	Paul Durbin
IFA Financial Advisor:	Acacia Financial Group, Inc.	Chicago	Jim Beck

LEGISLATIVE DISTRICTS

Congressional: 14
State Senate: 33
State House: 66

SERVICE AREA

Centegra's total service area includes McHenry County, northern portions of Kane County and the western portion of Lake County.

