



April 8, 2014

**\$140,000,000
Memorial Health System**

REQUEST	<p>Purpose: Bond proceeds of the Series 2014A Bonds (presented to the Board in December 2013 and closed in January 2014) and the 2014B Bonds will be used by Memorial Health System (the “System”) and Memorial Medical Center (“MMC” or the “Medical Center” and, together with the System, the “Borrowers”) to: (i) pay or reimburse the Borrowers for the payment of certain costs of acquiring, constructing, renovating, remodeling and equipping certain “projects”, including necessary and attendant land acquisition, facilities, equipment, site work and utilities appurtenant thereto, for the Borrowers; (ii) establish a debt service reserve fund with respect to the Bonds, if deemed necessary or advisable by the Authority or the Borrowers; (iii) pay a portion of the interest on the Bonds, if deemed necessary or advisable by the Authority or the Borrowers; (iv) provide working capital to the Borrowers, if deemed necessary or advisable by the Authority or the Borrowers; and (v) pay certain expenses incurred in connection with the issuance of the 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	This summary report updates the report submitted to the IFA Board of Directors on December 10, 2013 to incorporate details regarding the Series 2014B Bonds.																				
JOB DATA	<table border="0"> <tr> <td>Current jobs</td> <td>5,854</td> <td>New jobs projected</td> <td>100</td> </tr> <tr> <td>Retained jobs</td> <td>5,854</td> <td>Construction jobs projected</td> <td>400</td> </tr> </table>	Current jobs	5,854	New jobs projected	100	Retained jobs	5,854	Construction jobs projected	400												
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DESCRIPTION	<ul style="list-style-type: none"> • Location (Springfield / Sangamon County / Central Region) • Memorial Health System’s (the “System”) vision is to be a national leader for excellence in patient care. The System’s mission, to improve the health of the people and communities that are served, is evident in its effort to provide healthcare services across the full continuum of care to the citizens of central Illinois, which it achieves by providing a great patient experience and emphasizing primary care services as well as continuity and coordination of services between the providers within the System. • The System owns and operates MMC a 471 bed (in service) teaching tertiary hospital, and several affiliates including The Abraham Lincoln Memorial Hospital and Taylorville Memorial Hospital, which are critical access hospitals located in Lincoln, IL and Taylorville, IL, respectively. 																				
SECURITY	<ul style="list-style-type: none"> • Direct Note Obligation under a Master Trust Indenture. The Direct Note Obligation will be a full and unlimited obligation of the Obligated Group (the System and MMC) and will be secured by a security interest in the Pledged Revenues. 																				
STRUCTURE	<ul style="list-style-type: none"> • Fixed Rate Debt and Floating Rate Debt • The Series 2014A Bonds were issued based on the underlying credit of the System which is currently rated A1/A+ by Moody’s and S&P • The Series 2014B Bonds will be floating rate and privately placed with Fifth Third Bank for a 10 year term. • The Bonds will mature no later than July 1, 2044 																				
SOURCES AND USES	<table border="0"> <tr> <td>Sources:</td> <td>Uses:</td> <td></td> <td></td> </tr> <tr> <td>IFA Bonds</td> <td>\$140,000,000</td> <td>Project Cost</td> <td>\$130,000,000</td> </tr> <tr> <td></td> <td></td> <td>Debt Service Reserve Fund</td> <td>10,000,000</td> </tr> <tr> <td></td> <td></td> <td>Costs of Issuance</td> <td><u>(to be paid by MMC)</u></td> </tr> <tr> <td>Total</td> <td><u>\$140,000,000</u></td> <td>Total</td> <td><u>\$140,000,000</u></td> </tr> </table>	Sources:	Uses:			IFA Bonds	\$140,000,000	Project Cost	\$130,000,000			Debt Service Reserve Fund	10,000,000			Costs of Issuance	<u>(to be paid by MMC)</u>	Total	<u>\$140,000,000</u>	Total	<u>\$140,000,000</u>
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RECOMMENDATION	Credit Review Committee recommends approval.																				

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
April 8, 2014**

Project: Memorial Health System

STATISTICS

Project Number:	H-HO-TE-CD-8657	Amount:	\$140,000,000 (Not-to-Exceed)
Type:	501(c)(3) Revenue Bonds	IFA Staff:	Pam Lenane and Nora O'Brien
City:	Springfield, IL	County/Region:	Sangamon County/Central Region

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

A Final Bond Resolution approving the issuance of the Series 2014A Bonds was approved by the Board on December 10, 2013. This report updates the report to incorporate details regarding the Series 2014B Bonds.

PURPOSE

Bond proceeds will be used to finance or reimburse for a series of expansion projects at MMC's patient care and teaching facilities, including:

- Patient Tower ('E' building vertical expansion) – The 'E' building vertical expansion will consist of three levels (38 beds per level) totaling 115,000 gross square feet and 114 private beds. This expansion will take MMC to all medical/surgical private rooms without changing the total number of available beds. In addition, the main entrance and lobby will be renovated. The estimated cost is \$63.8 million.
 - Main Operating Room (OR) – The OR expansion includes a two-story 34,400 gross square feet structure attached to the 'E' building consisting of 6 new operating rooms (5 incremental operating rooms). The estimated cost is \$31.4 million.
 - Memorial Center for Learning and Innovation ("MCLI") – To advance the future of medicine and develop workforce, MMC will build a new four-story 50,000 gross square feet MCLI building at an estimated cost of \$36.1 million which will be used by MMC and SIUSM. The MCLI will allow MMC to enhance education and training capabilities for staff and physicians and strengthen the relationship with SIU. A portion of this facility may not qualify for tax exempt financing and will be funded by MMC.
 - Renovating and equipping MMC's existing energy plant and related infrastructure at an estimated cost of \$24.1 million. A total of 4,500 gross square feet will be added to accommodate additional infrastructure needed for this campus expansion.
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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: 5,854

Projected new jobs: 100
 Construction jobs: 400

ESTIMATED SOURCES AND USES OF FUNDS

IFA Bonds	<u>\$140,000,000</u>	Project Cost	\$130,000,000
		Debt Service Reserve Fund	10,000,000
		Costs of Issuance	<u>(to be paid by MMC)</u>
Total	<u>\$140,000,000</u>	Total	<u>\$140,000,000</u>

FINANCING SUMMARY

Security: Direct Note Obligations under a Master Trust Indenture. The Direct Note Obligations are full and unlimited obligations of the Obligated Group and will be secured by a security interest in the Pledged Revenues.

Structure: The plan of finance contemplates the issuance of fixed rate debt and floating rate debt. The Series 2014A fixed rate bonds were sold in a public offering in January 2014 and carried the rating of Memorial Health System which is currently A1/A+ by Moody's and S&P, respectively. The Series 2014B floating rate bonds will be privately placed with Fifth Third Bank for a term of 10 years.

Interest Rate: Floating rate

Interest Mode: The Series 2014A Bonds were issued as fixed rate bonds (the Borrower obtained approval at the December 2013 Board meeting). The Series 2014B Bonds will be floating rate.

Credit Enhancement: None (the Series 2014A Bonds carry the credit rating of Memorial Health System) and the 2014B Bonds will be privately placed.

Maturity: Not later than July 1, 2044

Rating: Memorial Health System is currently rated A1/A+ by Moody's and S&P, the 2014B Bonds will not carry any ratings

Est. Closing Date: May 2014

PROJECT SUMMARY (FOR FINAL BOND RESOLUTION)

Bond proceeds of the Series 2014A and 2014B Bonds will be used by **Memorial Health System** (the "**System**") and **Memorial Medical Center** ("**MMC**" or the "**Medical Center**" and, together with the System, the "**Borrowers**") to: (i) pay or reimburse the Borrowers for the payment of certain costs of acquiring, constructing, renovating, remodeling and equipping certain "projects", including necessary and attendant land acquisition, facilities, equipment, site work and utilities appurtenant thereto, for the Borrowers including, but not limited to, (a) the construction and equipping of an approximately three level, 115,000 square foot vertical expansion to the Medical Center's existing patient tower located in Springfield, Illinois, (b) the construction and equipping of an approximately two story, 34,000 square foot expansion to the Medical Center's existing main operating suite located in Springfield, Illinois, (c) the renovation and equipping of the Medical Center's existing energy plant and related infrastructure located in Springfield, Illinois, (d) the construction and equipping of an approximately four story, 50,000 square foot building to be located at 228 West Miller Street in Springfield, Illinois and to be used by the Medical Center and the Southern Illinois University School of Medicine as an educational institution for staff and physicians, (e) the renovation and reconfiguration of the main entrance and lobby of the Medical Center's 'E' building located in Springfield, Illinois, and (f) certain routine capital expenditures of the Borrowers; (ii) establish a debt service reserve fund with respect to the Bonds, if deemed necessary or advisable by the Authority or the

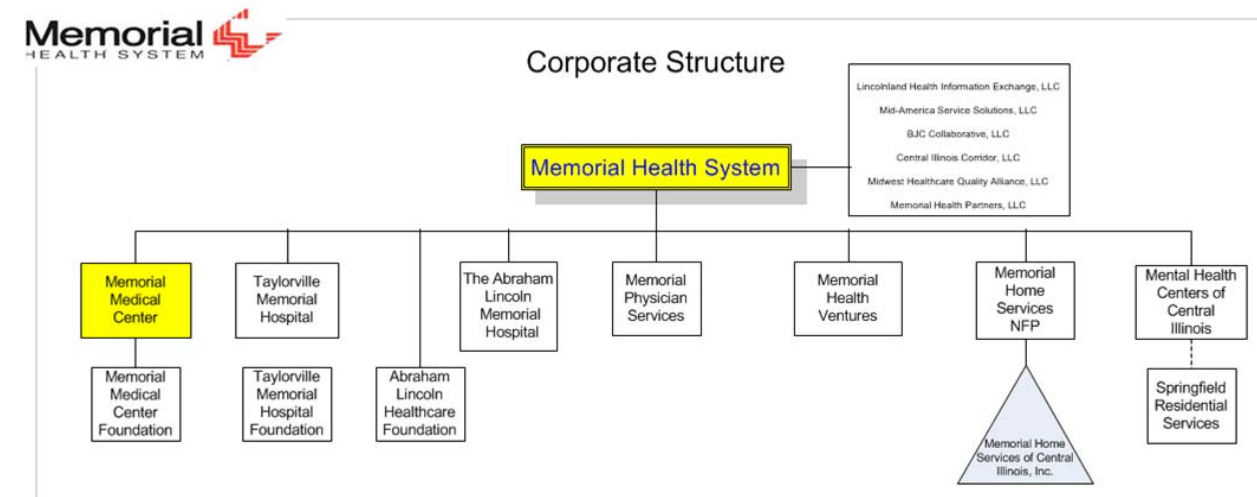
Borrowers; (iii) pay a portion of the interest on the Bonds, if deemed necessary or advisable by the Authority or the Borrowers; (iv) provide working capital to the Borrowers, if deemed necessary or advisable by the Authority or the Borrowers; and (v) pay certain expenses incurred in connection with the issuance of the Bonds.

BUSINESS SUMMARY

As part of a corporate reorganization plan in 1993, Memorial Health System was incorporated as an Illinois not-for-profit corporation and the sole corporate member of the Medical Center. The System’s vision is to be a national leader for excellence in patient care. The System’s mission, to improve the health of the people and communities that we serve, is evident in the System’s effort to provide healthcare services across the full continuum of care to the citizens of central Illinois. This is achieved by providing a great patient experience and emphasizing primary care services as well as continuity and coordination of services between the providers within the System.

In addition to MMC, the System is currently affiliated with: Memorial Physician Services (“MPS”), Memorial Home Services (“MHSvc”), ALMH, Abraham Lincoln Healthcare Foundation (“ALMF”), Mental Health Centers of Central Illinois (“MHCCI”), Memorial Health Ventures (“MHV”) and TMH (collectively, the “Affiliated Corporations”).

The System, MMC, MHSvc, ALMH, TMH, MPS, MHV, MHCCI and ALHF are all Illinois not-for-profit corporations and have all been recognized as organizations described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxation. An organizational chart is included below.



ECONOMIC DISCLOSURE STATEMENT

Applicant: Memorial Medical Center
 Location: 701 N 1st Street
 Springfield, IL
 Project name: Memorial Medical Center
 Organization: 501(c)(3) Not-for-Profit Corporation
 State: Illinois
 Contact: Robert W. Kay, Senior Vice President and CFO

Memorial Medical Center, Board of Directors

* Indicates membership on the System Board of Directors.

Name	Affiliation	Term Expires
Dale M. Becker* Treasurer	CPA Kerber, Eck & Braeckel, CPAs	2020
John D. Blackburn* First Vice Chairman	President Lincoln College	2021
James P. Bruner* Chairman	President United Contractors Midwest	2016
Edgar J. Curtis* President	President and Chief Executive Officer Memorial Health System	n/a
Mark H. Ferguson*	Attorney Sorling Northrup	2016
Randall S. Germeraad* Second Vice Chairman	Senior Vice President Springfield Electric Supply	2022
David L. Griffen, MD, Ph.D	Physician SIU School of Medicine, SIU HealthCare	2015
Nina M. Harris*	President and Chief Executive Officer Springfield Urban League	2014
Joseph M. Hurwitz* Immediate Past Chairman	Partner Hurwitz Enterprises	2021
Geoffrey R. Isringhausen	President Isringhausen Imports	2020
Susan J. Koch, Ed.D	Chancellor University of Illinois Springfield	2022
Mark Kuhnke, MD	Physician Springfield Clinic LLP	2017
Michael A. Pick, MD	Physician Springfield Clinic LLP	2014
Carol J. Hansen Posegate* Secretary	Retired Attorney	2022
Dean E. Robert, Jr.*	President/COO Sysco Central Illinois, Inc.	2021
Diane K. Rutledge, Ph.D.*	Executive Director Large Unit District Association	2020
Todd W. Wise	President and COO United Community Bank	2021

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Sorling Northrup	Peoria	James Broadway
Bond Counsel:	Chapman and Cutler LLP	Chicago	Dan Bacastow
Structuring Agent:	Piper Jaffray & Co.	Chicago	Nessy Shems
Bond Trustee	Bank of New York	Chicago	Robert Hardy
Purchaser:	Fifth Third Bank	Chicago	Ryan Vilnius
Purchaser's Counsel:	Chapman and Cutler LLP	Chicago	Carol Thompson
Financial Advisor:	Ponder & Co.	Valparaiso, IN	Mike Tym
IFA Financial Advisor:	Public Financial Management, Inc.	Chicago, IL	Shannon Williams
Issuer's Counsel:	Charity & Associates	Chicago	Alan Bell

LEGISLATIVE DISTRICTS

Congressional: 17
State Senate: 50
State House: 99

SERVICE AREA

The System has a wide service area, drawing patients from 40 counties in the central portion of Illinois. The primary service area, which includes Sangamon County and eight adjacent counties, accounts for 87.0% of the System's inpatient discharges. Sangamon County, the immediate service area for MMC, accounts for 49.0% of the System's inpatient discharges. The System's secondary service area includes 31 counties spanning the middle of the State and accounts for 10.7% of the System's inpatient discharges. The remaining 2.3% of inpatient discharges are drawn from other locations in Illinois and from surrounding states. The System's overall service area has remained constant over the past five years.

MHS Primary and Secondary Markets Map

