



November 12, 2015

**\$24,200,000**

**The Passavant Memorial Area Hospital Association**

<b>REQUEST</b>	<p><b>Purpose:</b> Bond proceeds will be used by The Passavant Memorial Area Hospital Association to current refund its Series 2006A and 2006 B Bonds as well as pay costs of issuance</p> <p><b>Program:</b> Conduit 501(c)(3) Revenue Bonds</p> <p><b>Extraordinary Conditions:</b> None.</p>			
<b>BOARD ACTIONS</b>	<p>Final Bond Resolution  Voting Record (October 8, 2015) – Preliminary Bond Resolution – 12 Yeas 0 Nays 0 Present 2 Absent</p>			
<b>MATERIAL CHANGES</b>	<p>Direct placement with PNC Bank, National Association.  Adds Memorial Health System’s corporate guarantee of the debt.</p>			
<b>JOB DATA</b>	953	Current jobs	0	New jobs projected
	1003	Retained jobs	0	Construction jobs projected
<b>DESCRIPTION</b>	<ul style="list-style-type: none"> <li>• Location (Jacksonville / Morgan County / Central)</li> <li>• Passavant Area Hospital in Jacksonville, Illinois, serves the residents of Morgan, Cass, Greene, Scott, and Macoupin counties in West Central Illinois. The facility is located at 1600 West Walnut, on Jacksonville's west side.</li> <li>• The Hospital is licensed for 121 patient beds and is staffed by approximately 900 full-time and part-time employees including an active medical staff of 70 physicians.</li> <li>• The Hospital is also the largest employee in Morgan County and is a Magnet Hospital as recognized by the American Nurses Credentialing Center.</li> <li>• The hospital is accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), and is a member of the American Hospital Association, the Illinois Hospital Association (IHA), and the Voluntary Hospitals of America (VHA).</li> <li>• In 2014, Passavant became an affiliate of Memorial Health System. (Springfield)</li> </ul>			
<b>CREDIT INDICATORS</b>	<ul style="list-style-type: none"> <li>• Variable Rate Bank direct purchase by PNC Bank, National Association.</li> </ul>			
<b>SECURITY</b>	<ul style="list-style-type: none"> <li>• Secured with a security interest in the hospital’s revenues and a guarantee by Memorial Health System issued under Memorial Health System’s Master Trust Indenture. Memorial is currently rated A1 (Moody’s) and AA- (Standard &amp; Poor’s).</li> </ul>			
<b>MATURITY</b>	<ul style="list-style-type: none"> <li>• Bonds will mature no later than December 1, 2031</li> </ul>			
<b>SOURCES AND USES ESTIMATED</b>	<b>Sources:</b>		<b>Uses:</b>	
	IFA Bonds	\$24,200,000	Refunding	\$23,955,000
			Accrued Interest	
	Equity	\$0	Costs of Issuance*	245,000
	<b>Total</b>	<b><u>\$24,200,000</u></b>	<b>Total</b>	<b><u>\$24,200,000</u></b>
			*Estimated	
<b>RECOMMENDATION</b>	<p>Credit Committee recommends approval.</p>			

**ILLINOIS FINANCE AUTHORITY  
 BOARD SUMMARY  
 November 12, 2015**

**Project: The Passavant Memorial Area Hospital Association**

**STATISTICS**

Project Number: 12312	Amount:	\$24,200,000 (not-to-exceed)
Type: 501(c)(3) Revenue Bonds	IFA Staff:	Pam Lenane and Tammy Harter
Location: Jacksonville, IL	County/Region:	Morgan/Central

**BOARD ACTION**

Final Bond Resolution	
Conduit 501(c)(3) Revenue Bonds	No IFA funds at risk
Credit Review Committee recommends approval	No extraordinary conditions

**PURPOSE**

The proceeds will be used by **The Passavant Memorial Area Hospital Association** to current refund its Series 2006A and 2006 B Bonds as well as pay costs of issuance.

**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**

<b>Sources:</b>		<b>Uses:</b>	
IFA		Refunding	\$23,955,000
Bonds	\$24,200,000	Accrued Interest	
		Costs of Issuance*	<u>245,000</u>
Equity	<u>\$0</u>		
<b>Total</b>	<b><u>\$24,200,000</u></b>	<b>Total</b>	<b><u>\$24,200,000</u></b>
		*estimated	

**JOBS**

Current employment: 714 FTEs	Projected new jobs: 0 FTEs
Jobs retained: 721 FTEs	Construction jobs: 0 FTEs

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**FINANCING SUMMARY**

Credit Enhancement: None

Structure: Variable rate bank direct purchase PNC Bank, National Association with guarantee by Memorial Health System issued under Memorial Health System's Master Trust Indenture.

Interest Rate: Variable

Interest Rate Modes: Monthly reset

Underlying Ratings: Although the Borrower is not rated, Memorial Health System (i.e., the guarantor) is rated A1 (Moody's) and AA- (S&P).

Maturity: December 1, 2031  
Estimated Closing Date: November 20, 2015

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**PROJECT SUMMARY (FOR PRELIMINARY BOND RESOLUTION)**

The proceeds will be used by **The Passavant Memorial Area Hospital Association** (i) to current refund its Series 2006A and 2006B bonds and (ii) pay costs of issuance

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**BUSINESS SUMMARY**

**Background:** Passavant Area Hospital in Jacksonville, Illinois, serves the residents of Morgan, Cass, Greene, Scott, and Macoupin counties in West Central Illinois. The facility is located at 1600 West Walnut, on Jacksonville's west side.

The hospital is accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), and is a member of the American Hospital Association, the Illinois Hospital Association (IHA), and the Voluntary Hospitals of America (VHA).

The Hospital is licensed for 121 patient beds and is staffed by approximately 900 full and part-time employees including an active medical staff of 70 physicians.

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**ECONOMIC DISCLOSURE STATEMENT**

Applicant: Passavant Memorial Area Hospital Association

Site Address: Passavant Memorial Area Hospital Association  
1600 West Walnut Street  
Jacksonville, Illinois 62650

Contact: David Bolen

Website: [www.passavanthospital.com](http://www.passavanthospital.com)

Project name: Passavant Memorial Area Hospital Association, Series 2015

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

State: Illinois

Ownership/2015 Board Members (501(c)(3)):

The Corporate Member of Passavant is Memorial Health System, an Illinois not-for-profit corporation, and any successor to such corporation resulting from merger, consolidation, or other corporate reorganization, herein referred to as the "Corporate Member." If at any time the Corporate Member shall cease to exist and there is no successor corporation, the Board of Directors of Passavant (the "Board of Directors") shall exercise all powers of the Corporate Member until such time as the Board of Directors decides to elect a new Corporate Member. The Corporate Member shall elect the directors of Passavant, from a slate of nominees proposed by the Board of Governors, taking into consideration the recommendations of the Board of Directors, and appoint the President and Chief Executive Officer of Passavant, upon mutual agreement with the Board of Directors, and has certain fundamental reserved powers over incurrence of indebtedness, other financial matters and governance matters.

The Board of Directors consists of sixteen (16) directors, at least one (1) of whom is required to be an active member of the Medical Staff. Additionally, the President and the President of the Medical Staff are ex-officio directors with full voting rights. The term of office of each director, other than the ex officio directors, shall be four (4) years. The ex-officio directors shall serve for as long as they hold their respective offices. The non-ex officio directors shall serve no more than two (2) successive terms. The other sixteen (16) directors shall be elected by the Corporate Member, as their terms expire or as vacancies arise in their positions. The Corporate Member elects each Director from the slate of individuals presented to it by the Board of Governors, taking into consideration the recommendations of the Board of Directors; provided, however, if one or more of the individuals nominated for a position are not acceptable to the Corporate Member and a position remains unfilled, then the Board of Directors is required to submit new slates for the unfilled position until individuals acceptable to the Corporate Member are elected. The non-ex officio directors shall serve staggered terms such that approximately one-fourth (1/4) of the non-ex officio directors are elected each year. The Board of Directors has the power to manage the affairs of Passavant, however, with respect to the reserved fundamental powers of Memorial Health System as Member, it only has the power to recommend to the Member action with respect to such powers; it has no independent authority to take or approve such reserved rights and powers.

Certain members of the Board of Governors shall be appointed by each of the churches situated in the area comprising Morgan County; Scott County; Cass County; a defined portion of Greene County; and the City of Greenfield; and part of Macoupin County (collectively, the "Churches"). The number of representatives from each of the Churches shall be as follows: (1) One (1) from each Church having a membership of two hundred (200) or fewer. (2) Two (2) from each Church having a membership of more than two hundred (200) but not more than five hundred (500). (3) Three (3) from each Church having a membership of more than five hundred (500) but not more than one thousand (1,000). Six (6) members of the Board of Governors shall be appointed by the following organizations (collectively, the "Organizations"), with each Organization appointing two (2) such representatives: (1) The Passavant Memorial Area Hospital Auxiliary; (2) The Passavant Memorial Area Hospital Alumnae Association; and (3) The Passavant Memorial Area Hospital Active Medical Staff. Four (4) members of the Board of Governors shall be the Chairman, Chairman-Elect, Secretary and Treasurer of the Board of Directors, with each serving as the Chairman, Chairman-Elect, Secretary and Treasurer, respectively, of the Board of Governors. The Board of Governors shall approve a slate of qualified nominees for every vacancy of the Board of Directors. A qualified nominee shall: (i) be a resident of the area served by the Corporation, (ii) be willing to accept the responsibilities required as a director of Passavant, and (iii) be available to actively participate in the activities of the Board of Directors. The nominees approved by the Board of Governors will be presented to the Board of Directors for review and recommendation and, subsequently, to the Corporate Member for election to the Board of Directors. At least ninety (90) days prior to the annual meeting of the Board of Governors, the Chairman of the Board of Directors shall appoint, with the approval of the Executive Committee of the Board of Directors, a committee to select a suggested slate of nominees for presentation to the Board of Governors for approval. This committee shall consist of

three (3) Governors who are not members of the Board of Directors and two (2) members of the Board of Directors who also may be, but are not required to be, members of the Board of Governors. The Board of Governors has no formal duties, responsibilities or obligations other than the nomination of directors as noted above.

Current members of the Board of Directors of the Hospital include: Keith Bradbury (Franklin Bank); Ginny Fanning (Morgan County Commissioner); Reggie Benton (Benton & Associates); Dr. Eric Giebelhausen (M.D.); Greg Lepper (Lepper Farms); Kelly Staake (Farmers State Bank & Trust Co.); Gilbert Joehl (Northwestern Mutual Financial Network); Doug Awe (Arends-Awe, Inc.); Phyllis Lape, Ph.D. (retired-educator); Dr. Steven Lillpop (M.D.); James Hinchin (retired-M.D.); Gary Scott (WLDS/WEAI Radio Station); Nancy Spangenberg (retired-RN); Don Headen (Headen Farms); Tom Veith (attorney).

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**PROFESSIONAL & FINANCIAL**

Borrower's Counsel:	Sorling Northrup	Peoria, IL	James Broadway
Auditor:	Ernst & Young LLP is the auditor for Memorial Health System and Subsidiaries		
Bank:	PNC Bank, National Association	Peoria, IL	Michael Zeller
Bond Counsel:	Chapman and Cutler LLP	Chicago, IL	Dan Bacastow
Bank Counsel:	Thompson Coburn LLP	St. Louis, MO	Deborah Rush
Bond Trustee:	NA – Series 2006 A&B will be a direct placement with payments remitted directly to the purchasing bank (PNC Bank, N.A.)		
Issuer's Counsel:	Hart, Southworth & Witsman	Springfield, IL	Samuel Witsman
Issuer's Advisor:	Acacia Financial Group, Inc.	Chicago	Jim Beck

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**LEGISLATIVE DISTRICTS**

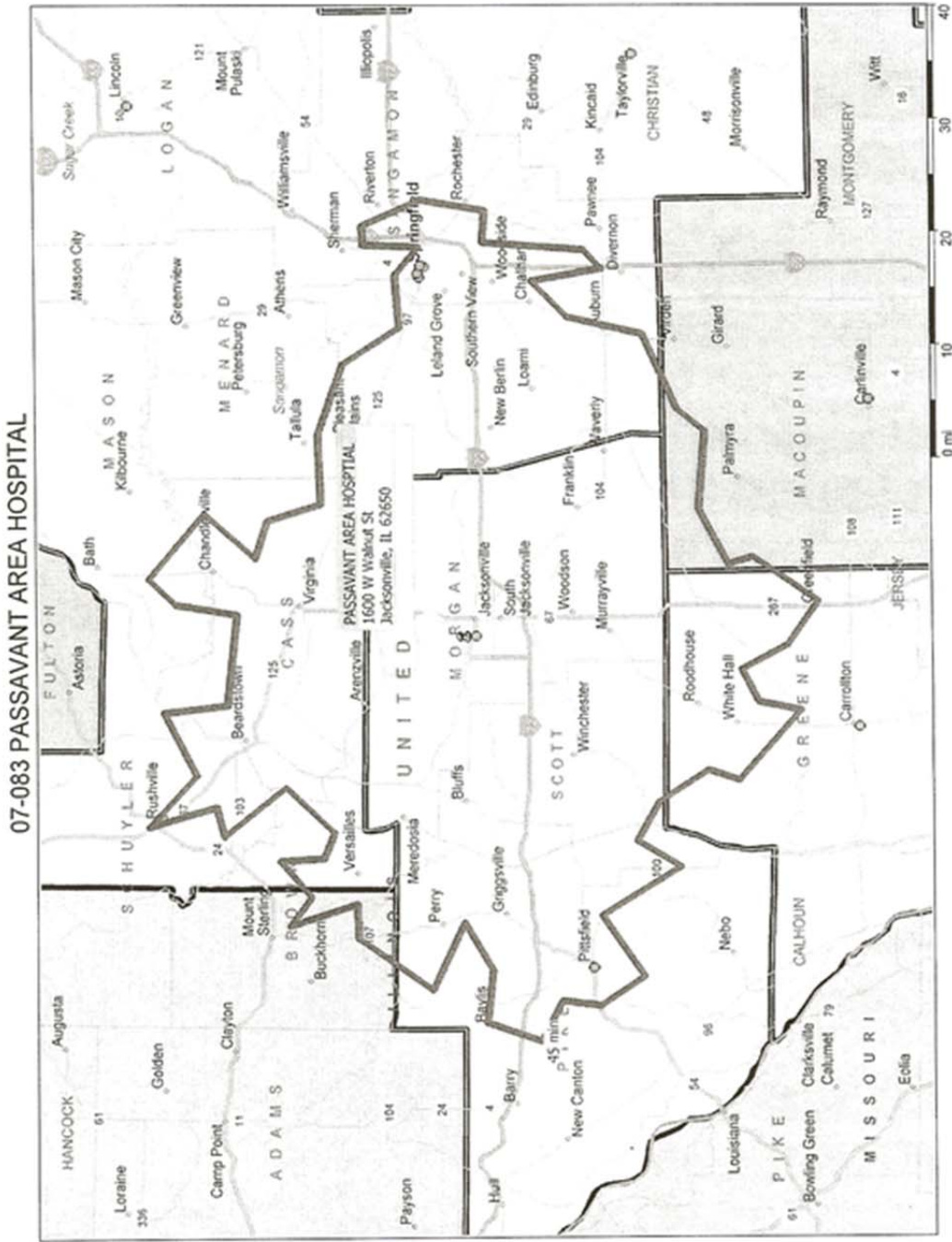
Congressional:	18
State Senate:	50
State House:	100

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**SERVICE AREA**

The Passavant Memorial Area Hospital Association is an acute care hospital located in Jacksonville, Illinois, the county seat of Morgan County, approximately 90 miles north of St. Louis, Missouri, and 35 miles west of Springfield, Illinois. The Corporation was originally established in 1875 and was incorporated in 1906 as an Illinois not-for-profit corporation.

Passavant is the only hospital in Morgan, Cass, and Scott Counties (see attached map). There is only one other hospital in Passavant's primary service area, Thomas Boyd Memorial Hospital located in Carrollton (Greene County) approximately 35 miles away from Passavant. Boyd is a 33-bed facility used primarily for long term care and is not considered to be a competitive facility by Hospital management.



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