



October 13, 2016

**\$300,000,000
The Carle Foundation**

REQUEST	<p>Purpose: Bond proceeds will be used by The Carle Foundation (“Carle”, the “Corporation”, or the “Borrower”) to: (i) finance the construction of certain health care facilities of the Obligated Group including construction and equipping of a 3-story, approximately 300,000 sq. ft. support service building and a single story, approximately 40,000 sq. ft. ambulatory surgery center, approximately 75,000 sq. ft. addition to the ambulatory clinic located at 1701 Curtis Road, Champaign, and renovations to Carle’s acute care hospital on its Main Campus, (ii) refund all or a portion of the outstanding Illinois Finance Authority Revenue Bonds, Series 2009D (The Carle Foundation) (the “Prior Bonds”); (iii) and pay certain expenses incurred in connection with the issuance of the Bonds and the refunding of Prior Bonds, all as permitted by the Illinois Finance Authority Act (collectively, the “Financing Purposes”).</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 has been presented to the IFA Board of Directors.																				
JOB DATA	<table border="0"> <tr> <td>N/A</td> <td>Current jobs</td> <td>--</td> <td>New jobs projected</td> </tr> <tr> <td>N/A</td> <td>Retained jobs</td> <td>1,700</td> <td>Construction jobs projected</td> </tr> </table>	N/A	Current jobs	--	New jobs projected	N/A	Retained jobs	1,700	Construction jobs projected												
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DESCRIPTION	<ul style="list-style-type: none"> • Locations: Champaign and Urbana (Champaign County/East Central Region) • The Carle Foundation, headquartered in Urbana, Illinois, is an Illinois not-for-profit corporation engaged in providing health care services to residents of east central Illinois. 																				
SECURITY	<ul style="list-style-type: none"> • The Bonds are expected to be secured by an obligation of The Carle Foundation under a Master Trust Indenture. Such obligation will include a pledge of revenues and may or may not include a debt service reserve fund or mortgages. 																				
CREDIT INDICATORS	<ul style="list-style-type: none"> • The Bonds will be rated. The Carle Foundation maintains underlying ratings of ‘A+’ and ‘AA-’ from Standard & Poor’s and Fitch, respectively. Carle expects its current ratings to be affirmed in the context of this transaction. 																				
STRUCTURE	<ul style="list-style-type: none"> • The Bonds will be structured as a tax-exempt fixed or variable rate public offering underwritten by Barclays. There may be a taxable fixed or variable rate component as part of the 2016 financing as well. • The Bonds will fully mature not later than February 15, 2056. 																				
SOURCES AND USES ESTIMATED	<table border="0"> <tr> <td colspan="2">Sources:</td> <td colspan="2">Uses:</td> </tr> <tr> <td>IFA Bonds</td> <td><u>\$300,000,000</u></td> <td>New Money</td> <td>\$ 240,250,000</td> </tr> <tr> <td></td> <td></td> <td>Refunding</td> <td>56,000,000</td> </tr> <tr> <td></td> <td></td> <td>Cost of Issuance</td> <td><u>3,750,000*</u></td> </tr> <tr> <td>Total</td> <td><u>\$300,000,000</u></td> <td>Total</td> <td><u>\$300,000,000</u></td> </tr> </table>	Sources:		Uses:		IFA Bonds	<u>\$300,000,000</u>	New Money	\$ 240,250,000			Refunding	56,000,000			Cost of Issuance	<u>3,750,000*</u>	Total	<u>\$300,000,000</u>	Total	<u>\$300,000,000</u>
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	<p>*Cost of Issuance estimated at 1.25% of par. Preliminary estimate - not necessarily reflective of actual costs.</p>																				
RECOMMENDATION	Credit Review Committee recommends approval.																				

**ILLINOIS FINANCE AUTHORITY
 BOARD SUMMARY
 October 13, 2016**

Project: The Carle Foundation

STATISTICS

Project Number: 12366	Amount: \$300,000,000 (Not-to-Exceed)
Type: 501(c)(3) Bonds	IFA Staff: Pam Lenane
Cities: Champaign and Urbana	County/Region: Champaign/East Central

BOARD ACTION

Final Bond Resolution (<i>one-time consideration</i>)	No IFA Funds at Risk
Conduit 501(c)(3) Bonds	No Extraordinary Conditions
Credit Review Committee recommends approval.	

VOTING RECORD

This is the first time this project is being presented to the IFA Board of Directors.

PURPOSE

Purpose: Bond proceeds will be used by The Carle Foundation (“**Carle**”, the “**Corporation**”, or the “**Borrower**”) to: (i) finance the construction of certain health care facilities of the Obligated Group including construction and equipping of a 3-story, approximately 300,000 sq. ft. support service building and a single story, approximately 40,000 sq. ft. ambulatory surgery center, approximately 75,000 sq. ft. addition to the ambulatory clinic located at 1701 Curtis Road, Champaign, and renovations to Carle’s acute care hospital on its Main Campus, (ii) refund all or a portion of the outstanding Illinois Finance Authority Revenue Bonds, Series 2009D (The Carle Foundation) (the “**Prior Bonds**”); (iii) and pay certain expenses incurred in connection with the issuance of the Bonds and the refunding of Prior Bonds, all as permitted by the Illinois Finance Authority 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: --
Retained jobs: N/A	Construction jobs: 1,700

ESTIMATED SOURCES AND USES OF FUNDS

Sources:		Uses:	
IFA Bonds	<u>\$300,000,000</u>	New Money	\$240,250,000
		Refunding	56,000,000
		Cost of Issuance	<u>3,750,000*</u>
Total	<u>\$300,000,000</u>	Total	<u>\$300,000,000</u>

*Cost of Issuance estimated at 1.25% of par. Preliminary estimate - not necessarily reflective of actual costs.

FINANCING SUMMARY

Security:	The Bonds are expected to be secured by an obligation of The Carle Foundation under a Master Trust Indenture. Such obligation will include a pledge of revenues and may or may not include a debt service reserve fund or mortgages.
Structure:	The plan of finance contemplates the issuance of fixed or variable rate debt with a public offering by Barclays Capital Inc.
Interest Rate:	To be determined at the time of pricing based upon market indices.
Interest Mode:	Fixed or variable rate obligations for which interest is established at pricing or changes periodically and is paid monthly or semiannually.
Maturity:	The Bonds will fully mature not later than February 15, 2056.
Rating:	The Bonds will be rated. The Carle Foundation maintains underlying ratings of ‘A+’ and ‘AA-’ from Standard & Poor’s and Fitch, respectively and expects the ratings to be affirmed prior to the IFA October board meeting.

Estimated Closing Date: November 2016

PROJECT SUMMARY

Purpose: Bond proceeds will be used by The Carle Foundation (“**Carle**”, the “**Corporation**”, or the “**Borrower**”) to: (i) finance the construction of certain health care facilities of the Obligated Group including construction and equipping of a 3-story, approximately 300,000 sq. ft. support service building and a single story, approximately 40,000 sq. ft. ambulatory surgery center, approximately 75,000 sq. ft. addition to the ambulatory clinic located at 1701 Curtis Road, Champaign, and renovations to Carle’s acute care hospital on its Main Campus, (ii) refund all or a portion of the outstanding Illinois Finance Authority Revenue Bonds, Series 2009D (The Carle Foundation) (the “**Prior Bonds**”); (iii) and pay certain expenses incurred in connection with the issuance of the Bonds and the refunding of Prior Bonds, all as permitted by the Illinois Finance Authority Act (collectively, the “**Financing Purposes**”).

BUSINESS SUMMARY

The Carle Foundation is an Illinois not-for-profit corporation engaged in providing health care services through a vertically integrated provider structure which offers a broad spectrum of inpatient, outpatient, and long-term health care services to a large and predominantly rural service area in east-central Illinois and west-central Indiana in a region surrounding the cities of Champaign and Urbana, Illinois. The Carle Foundation serves as the sole member and elects all of the trustees of, and thereby controls the following Illinois not-for-profit organizations and affiliates:

- a. *The Carle Foundation Hospital* operates a licensed 345-bed hospital, a certified home health agency, and a certified hospice, all which lease property and equipment from the Corporation. The Hospital also operates Carle Medical Supply, a provider of medical equipment and supplies to the general public and hospital patients; and the Danville Surgery Center and outpatient surgical recovery centers, which are located in Champaign and Danville, Illinois. The Hospital serves as the sole stockholder and elects all directors of and, therefore controls, the following for-profit subsidiaries: *Carle Risk Management Company*, which provides professional liability insurance claims processing and management services to the Foundation and *eValiData, Inc.*, which provides physician credentialing services to the Corporation and external organizations.
- b. *Carle Health Care, Incorporated* operates Carle Physician Group which operates as a multi-specialty, group medical practice comprising approximately 404 licensed physicians and surgeons, some of whom are contracted to provide services through other entities; Arrow Ambulance, LLC, an ambulance transport service; Airlife, an air medical transport service; and The Caring Place, a day care center. Carle Health Care Incorporated also operates the Champaign SurgiCenter, LLC, a free-standing ambulatory surgery

center located in Champaign, Illinois, in partnership with Christie Clinic ASC, LLC, an affiliate of a private, multi-specialty, group medical practice headquartered in Champaign, Illinois, as a 25% owner.

- c. Hoopeson Community Memorial Hospital, which comprises a 24-bed Critical Access Hospital and six Rural Health Clinics. The hospital is located approximately 50 miles northeast of the Foundation's main campus.
- d. Carle Retirement Centers, Inc., operates a 174-unit retirement living center.
- e. The Carle Development Foundation does business as the Carle Center for Philanthropy, which is engaged in fund-raising activities and manages substantially all activity relating to restricted and unrestricted contributions. In addition, it is the sole member of Carle Community Health Corporation, which is engaged in funding charitable, scientific, and educational community-based health care initiatives.
- f. The Carle Foundation is the sole member of Health Alliance Connect, Inc., a taxable not-for-profit entity which provides health care services to its enrollees including members of medically underserved groups, persons who are unable to obtain affordable health care services or insurance, persons with special healthcare needs, and beneficiaries of governmental programs.

The Carle Foundation serves as the sole stockholder and elects all the directors of, and thereby controls, the following for-profit subsidiaries:

- a. Carle Holding Company, Inc. is the sole owner of Health Alliance Medical Plans Inc. and its subsidiaries ("Health Alliance"). Health Alliance is a licensed life, accident, and health insurance company in the state of Illinois and is subject to regulation by the Illinois Department of Insurance. Health Alliance was granted a certificate of authority to transact business as a health maintenance organization (HMO) on November 28, 1989. Health Alliance had approximately 269,500 members at March 31, 2014.

Health Alliance has a wholly-owned subsidiary, Health Alliance-Midwest, Inc. (HAMW), which is incorporated as a licensed HMO to write health insurance policies in the states of Illinois, Iowa, and Nebraska. Health Alliance owns 60% of Health Alliance Northwest Holding, Inc. which is a non-insurance company in the state of Washington established for the purpose of owning Health Alliance Northwest Health Plan, Inc., a Washington health care contractor.

- b. Health Systems Insurance, Limited, an offshore captive insurance company, was established to underwrite the Corporation's general and professional liability risks and, beginning in 2012, its workers' compensation liability insurance risks.

ECONOMIC DISCLOSURE STATEMENT

Applicant: The Carle Foundation
Location: 611 W. Park St.
Urbana (Champaign County), IL
61801-2595
Project name: The Carle Foundation (Illinois Finance Authority Series 2016 Bonds)
Organization: 501(c)(3) Not-for-Profit Corporation
State: Illinois
Contact: Scott Hendrie, Vice President of Finance – Treasury, (217) 383-4369
scott.hendrie@carle.com

Board of Trustees: Kenneth Aronson, M.D
Phillip Blankenburg
Donna Greene, Chair
Jane Hays
Guy Hall

Sanjiv Jain, M.D.
James C. Leonard, M.D.
J. Michael Martin
Mitch Melfi
Paul Mulhollem
Martin K. Smith
Jon Stewart
Paul Tender, M.D

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	McGuire Woods	Chicago	Kevin Dougherty
Borrower's Financial Advisor	Ponder & Co.	Chicago	Jennifer Brown Terrance Shirey
Bond Counsel:	Chapman & Cutler LLP	Chicago	David Kates
Underwriter:	Barclays	Los Angeles	James Kim
Co-Manager:	Goldman Sachs	New York	Rondy Jennings
Underwriter Counsel:	Orrick, Herrington & Sutcliffe LLP	Portland	Doug Goe
Issuer's Counsel:	Schiff Hardin LLP	Chicago	Bruce Weisenthal
IFA Financial Advisor:	Sycamore Advisors LLC	Indianapolis	Diana Hamilton Courtney Tobin

LEGISLATIVE DISTRICTS

Congressional:	13
State Senate:	52
State House:	103

SERVICE AREA

The primary service area includes Champaign County and selected zip codes in east-central Illinois. The secondary service area includes Vermilion County and selected zip codes from 38 other counties in east-central Illinois and west-central Indiana. Based on zip codes of patient origin, 52.8% of total hospital inpatient admissions in the primary service area were to Carle, while 15.5% of total hospital inpatient admissions in the combined primary and secondary service area were to Carle, both during the 2013 calendar year.

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