



January 8, 2013

\$150,000,000

Northwestern Memorial HealthCare

REQUEST	<p>Purpose: The proceeds of the bonds will be loaned to Northwestern Memorial HealthCare (the “Borrower” or “NMHC”) to be used, together with certain other funds, to (i) refund all or a portion of the outstanding principal amount of the Authority’s \$103,160,000 Revenue Bonds, Series 2009B (Northwestern Memorial Hospital) (the “Prior Bonds”) (ii) pay or reimburse the Borrower, Northwestern Memorial Hospital (“NMH”) and Northwestern Lake Forest Hospital (“NLFH” and, together with NMH, the “Users”) for the costs of acquiring, constructing, renovating, remodeling and equipping certain health facilities of the Users, including necessary and attendant equipment, facilities, sitework and utilities thereto, including, without limitation, the construction and equipping of an approximately 503,000 square foot facility that includes an approximately 441,000 square foot parking garage and an approximately 62,000 square foot daycare center located at 445 E. Ontario, Chicago, Illinois and the renovation and equipping of the ninth, tenth and thirteenth floors of NMH’s patient services pavilion known as Galter Pavilion located at 251 E. Huron, Chicago, Illinois; (iii) pay a portion of the interest on the Bonds, if deemed necessary or advisable by the Authority or the Borrower; (iv) fund one or more debt service reserve funds, if deemed necessary or advisable by the Authority or the Borrower; and (v) pay certain expenses incurred in connection with the issuance of the Bonds and the refunding of the Prior Bonds, including but not limited to fees for insurance, credit enhancement or liquidity enhancement for the Bonds if deemed necessary or advisable by the Borrower.</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	8,624	Current jobs	N/A	New jobs projected
	N/A	Retained jobs	2,200	Construction jobs projected
DESCRIPTION	<ul style="list-style-type: none"> • NMHC is the not-for-profit parent corporation for NMH, NLFH and the Northwestern Memorial Foundation. NMH is one of the nation’s leading academic medical center hospitals with a long tradition of leadership in patient care, education and research and a longstanding commitment to efforts that advance the quality and accessibility of healthcare service in Chicago. They provide a complete range of adult inpatient and outpatient services in an educational and research environment. For 18 consecutive years, NMH has been ranked as the “most preferred” hospital in market research by consumers in Chicago and the nine-county region. 			
CREDIT INDICATORS	<ul style="list-style-type: none"> • Current rating for Northwestern Memorial is AA+/Aa2 (S&P/Moody’s) • The plan of finance contemplates issuing uninsured fixed-rate bonds that will be sold based on the Borrower’s underlying ratings. 			
SECURITY	<ul style="list-style-type: none"> • Payments under the loan agreements are secured by notes issued pursuant to the Master Indenture. The notes are joint and severable obligations of the Northwestern Memorial HealthCare Obligated Group, of which NMH, NLFH and other not-for-profit subsidiaries of NMHC are members. The Master Indenture contains certain covenants for the benefit of all note holders. 			
MATURITY	<ul style="list-style-type: none"> • Bonds will mature no later than August 15, 2053 			
SOURCES AND USES ESTIMATED	Sources:		Uses:	
	IFA Bonds	\$120,000,000	Project Fund	\$65,280,000
			Refund Series 2009 Bonds	52,922,000
			Cost of Issuance	<u>1,798,000</u>
	Total	\$ 120,000,000	Total	\$120,000,000
RECOMMENDATION	Credit Committee recommends approval.			

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
January 8, 2013**

Project: Northwestern Memorial HealthCare

STATISTICS

Project Number:	H-HO-TE-CD-8597	Amount:	\$150,000,000 (not-to-exceed)
Type:	501(c)(3) Revenue Bonds	IFA Staff:	Pam Lenane and Nora O'Brien
Location:	Chicago	County/ Region:	Cook/Northeast

BOARD ACTION

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

VOTING RECORD

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

PURPOSE

Bond proceeds will be used to (i) refund all or a portion of the outstanding principal amount of the Authority's \$103,160,000 Revenue Bonds, Series 2009B (Northwestern Memorial Hospital) (the "Prior Bonds") (ii) pay or reimburse the Borrower, Northwestern Memorial Hospital ("NMH") and Northwestern Lake Forest Hospital ("NLFH" and, together with NMH, the "Users") for the costs of acquiring, constructing, renovating, remodeling and equipping certain health facilities of the Users, including necessary and attendant equipment, facilities, sitework and utilities thereto, including, without limitation, the construction and equipping of an approximately 503,000 square foot facility that includes an approximately 441,000 square foot parking garage and an approximately 62,000 square foot daycare center located at 445 E. Ontario, Chicago, Illinois and the renovation and equipping of the ninth, tenth and thirteenth floors of NMH's patient services pavilion known as Galter Pavilion located at 251 E. Huron, Chicago, Illinois; (iii) pay a portion of the interest on the Bonds, if deemed necessary or advisable by the Authority or the Borrower; (iv) fund one or more debt service reserve funds, if deemed necessary or advisable by the Authority or the Borrower; and (v) pay certain expenses incurred in connection with the issuance of the Bonds and the refunding of the Prior Bonds, including but not limited to fees for insurance, credit enhancement or liquidity enhancement for the Bonds if deemed necessary or advisable by the Borrower.

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:		Uses:	
IFA			
Bonds	\$ <u>120,000,000</u>	Project Fund	\$65,280,000
		Refund Series 2009 Bonds	52,922,000
		Cost of Issuance	<u>1,798,000</u>
Total	\$ <u>120,000,000</u>	Total	\$<u>120,000,000</u>

JOBS

Current employment:	8,624	Projected new jobs:	N/A
Jobs retained:	N/A	Construction jobs:	2,200

FINANCING SUMMARY

Security:	Payments under the loan agreements are secured by notes issued pursuant to the Master Indenture. The notes are joint and severable obligations of the Northwestern Memorial HealthCare Obligated Group, of which NMH, NLFH and other not-for-profit subsidiaries of NMHC are members. The Master Indenture contains certain covenants for the benefit of all note holders.
Structure:	The plan of finance contemplates issuing uninsured fixed-rate bonds in a public offering.
Interest Rate:	The rate will be determined on the date of pricing.
Interest Rate Modes:	Fixed.
Underlying Ratings:	Current rating for Northwestern Memorial is AA+/Aa2 (S&P/Moody's).
Maturity:	Not later than August 15, 2053
Estimated Closing Date:	February, 2013

PROJECT SUMMARY (FOR FINAL BOND RESOLUTION)

The proceeds will be used to (i) refund all or a portion of the outstanding principal amount of the Authority's \$103,160,000 Revenue Bonds, Series 2009B (Northwestern Memorial Hospital) (the "Prior Bonds") (ii) pay or reimburse the Borrower, Northwestern Memorial Hospital ("NMH") and Northwestern Lake Forest Hospital ("NLFH" and, together with NMH, the "Users") for the costs of acquiring, constructing, renovating, remodeling and equipping certain health facilities of the Users, including necessary and attendant equipment, facilities, sitework and utilities thereto, including, without limitation, the construction and equipping of an approximately 503,000 square foot facility that includes an approximately 441,000 square foot parking garage and an approximately 62,000 square foot daycare center located at 445 E. Ontario, Chicago, Illinois and the renovation and equipping of the ninth, tenth and thirteenth floors of NMH's patient services pavilion known as Galter Pavilion located at 251 E. Huron, Chicago, Illinois; (iii) pay a portion of the interest on the Bonds, if deemed necessary or advisable by the Authority or the Borrower; (iv) fund one or more debt service reserve funds, if deemed necessary or advisable by the Authority or the Borrower; and (v) pay certain expenses incurred in connection with the issuance of the Bonds and the refunding of the Prior Bonds, including but not limited to fees for insurance, credit enhancement or liquidity enhancement for the Bonds if deemed necessary or advisable by the Borrower.

BUSINESS SUMMARY

Northwestern Memorial HealthCare ("NMHC") is the not-for-profit corporate parent, and serves as the sole corporate member of Northwestern Memorial Hospital (the "Hospital" or "NMH"), Northwestern Lake Forest Hospital ("NLFH" and along with NMH the "Hospitals") and Northwestern Memorial Foundation (the "Foundation" or "NMF"). NMHC and each of its not-for-profit subsidiaries are corporations organized and existing under the laws of the State of Illinois and are exempt from federal income taxation pursuant to Section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code"), as organizations described in Section 501(c)(3) of the Code and are not private foundations within the meaning of Section 509(a) of the Code.

NMH is part of an academic medical center in downtown Chicago, Illinois that provides a complete range of adult inpatient and outpatient services in an educational and research environment. NMH has 894 licensed beds and is the primary teaching hospital for the Feinberg School of Medicine of Northwestern University. The Feinberg and Galter Pavilions, which were opened in May 1999, house the Hospital's primary inpatient care units and medical office building. The Prentice Women's Hospital Pavilion ("Prentice"), located one block north, opened on October

20, 2007. Prentice houses obstetrics, neonatology, gynecology, and gynecology/oncology services, as well as inpatient medical oncology. NLFH is a 201-bed community hospital that provides patient care services at its main hospital in Lake Forest, Illinois and at ten locations across Lake County and northern Cook County, with a large outpatient campus, including a free-standing emergency room, in Grayslake, Illinois. The 201 licensed beds at its main hospital include 117 acute care, 40 extended care and 44 long-term care beds.

NMH ranked 12th nationally among 18 Honor Roll hospitals recognized in the June 2012 U.S. News & World Report "Best Hospitals" publication, and was the only Illinois hospital on the Honor Roll list. NLFH ranked 20th in Illinois and 18th in the Chicago metro area. The Hospitals each received the National Research Corporation Consumer Choice Award for the Chicago and Lake County/Kenosha County markets, respectively, in October 2012. This was the 14th consecutive year for NMH and the 8th consecutive year for NLFH. In addition, NMH was recognized as the Most Preferred Hospital in Chicago for the 18th consecutive year by consumers who were asked to list their most preferred hospital for all health needs. NLFH was recognized as the Most Preferred Hospital in the Lake County/Kenosha County submarket.

ECONOMIC DISCLOSURE STATEMENT

Applicant: Northwestern Memorial HealthCare

Site Address: Northwestern Memorial Hospital
251 East Huron Street
Chicago, IL 60611

Contact: Francis D. Fraher
Director of Finance

Website: www.nmh.org

Project name: Northwestern Memorial HealthCare

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

State: Illinois

Ownership/2012-13 Board Members (501(c)(3)):

Directors

Carol L. Bernick
Chair
John A. Canning
Vice Chair
William A. Osborn
Vice Chair
Thomas A. Cole
Chair Emeritus
Robert L. Parkinson, Jr.
Chair, NLFH
Nicholas D. Chabraja

Peter D. Crist

Kent P. Dauten

Business Affiliations

Chief Executive Officer
Polished Nickel Capital Management LLC
Chairman
Madison Dearborn Partners, LLC
Retired Chairman and CEO
Northern Trust Corporation
Chairman, Executive Committee
Sidley Austin LLP
Chairman and CEO
Baxter International, Inc.
Former Chairman & CEO
General Dynamics
Chairman
Crist/Kolder Associates, LLC
Managing Director
Keystone Capital, Inc.

Directors

John H. Dick
 Dean M. Harrison
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 J. Christopher Reyes
 Larry D. Richman
 Nancy W. Sassower, MD
 Samuel C. Scott, III
 Glenn F. Tilton
 Forrest R. Whittaker

Business Affiliations

President
 Dicksbridge, Inc.
 President and CEO
 Northwestern Memorial HealthCare
 Chairman, President and CEO
 The Boeing Company
 Director
 HMX LLC
 President
 Continental Investors, LLC
 Co-Chairman
 Reyes Holdings LLC
 President and CEO
 PrivateBancorp Inc., The PrivateBank
 NMH Chief of Staff
 Northwestern Memorial Hospital
 Retired Chairman and CEO
 Ingredion Incorporated, formerly Corn Products
 International, Inc.
 Chairman of the Midwest Region;
 JP Morgan Chase & Co. &
 Chairman of the Board;
 United Continental Holdings, Inc.
 President and CEO
 Avalign Technologies, Inc.

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	SNR Denton LLP	Chicago	Mary Wilson
Financial Advisor:	Kaufman Hall	Skokie	Therese Wareham
Auditor:	Ernst & Young LLP	Chicago	Kenneth Bernstein
Bond Counsel:	Jones Day	Chicago	Rich Tomei
Underwriter:	J.P. Morgan Securities LLC	Chicago	Timothy Wons
	Citigroup Global Markets Inc.	Chicago New York	Ryan Freel Amy Yang
Underwriter's Counsel:	Ungaretti & Harris LLP	Chicago	Julie Seymour
Bond Trustee:	Wells Fargo Bank, N.A.	Chicago	Gail Klewin
Issuer's Counsel:	Miller Canfield	Chicago	Paul Durbin
IFA Financial Advisor:	Acacia Financial Group	Chicago	Courtney Shea

LEGISLATIVE DISTRICTS

Congressional: 7
 State Senate: 13
 State House: 26

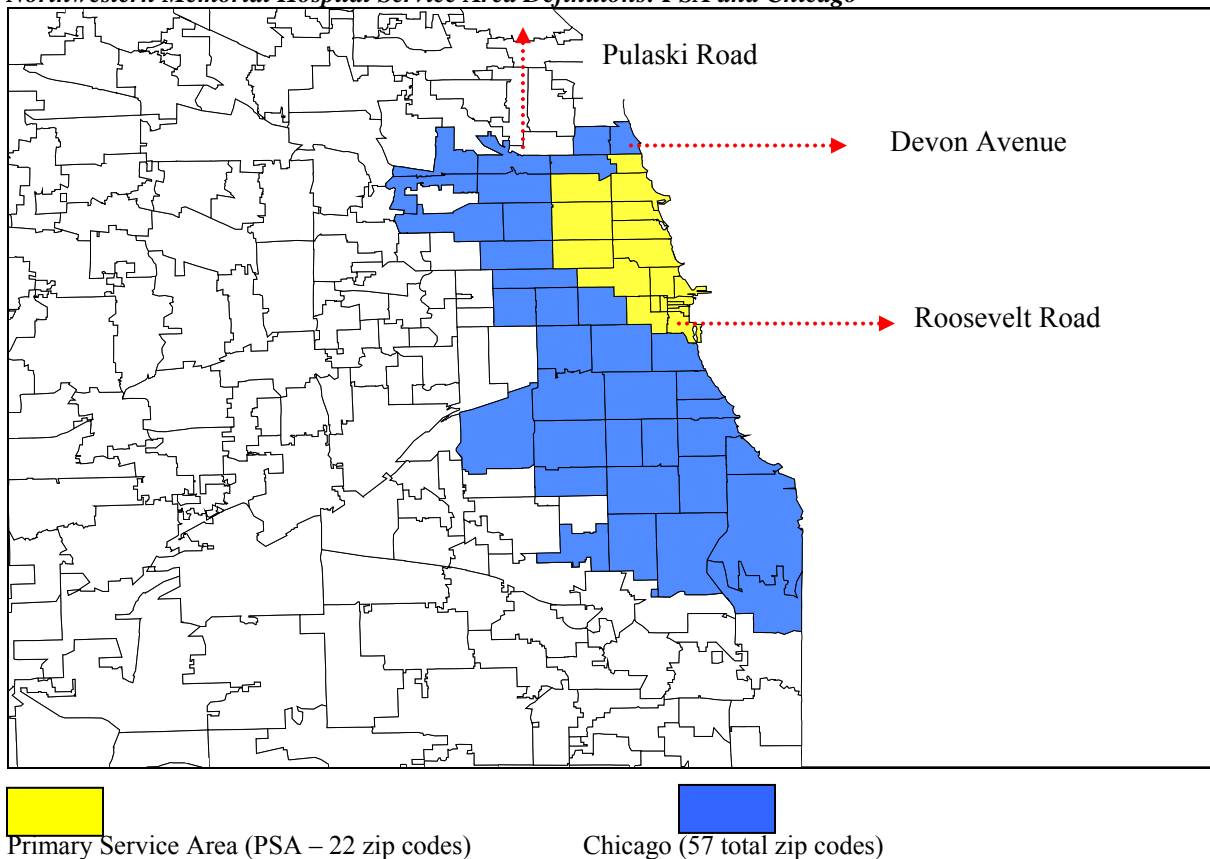
SERVICE AREA

The Primary Service Area (“PSA”) consists of the 22 ZIP codes¹ contiguous to NMH. The boundaries of NMH’s PSA extend north of the Hospital to Devon Avenue and Ridge Road, west to Pulaski Road, south to 16th Street, and east to Lake Michigan. The PSA had a population in calendar year 2011 of 864,822 (*source: Thomson Reuters Demographic Profile*). NMH is the current market share leader in the PSA and its market share has increased over the past five years*, as follows:

2008	19.5%
2009	21.1%
2010	21.5%
2011	23.3%
2012	23.4%

*Years are based on periods from March – February, which is the most recently available data.

Northwestern Memorial Hospital Service Area Definitions: PSA and Chicago



¹ PSA zip codes include 60601, 60602, 60603, 60604, 60605, 60606, 60607, 60610, 60611, 60613, 60614, 60616, 60618, 60622, 60625, 60640, 60642, 60647, 60654, 60657, 60660 and 60661.