



May 14, 2013

**\$35,000,000
Riverside Health System**

REQUEST	<p>Purpose: Bond proceeds will be used by Riverside Health System (“Riverside”, “RHS” or the “Borrower”) to (i) pay or reimburse, or refinance certain indebtedness the proceeds of which were used to pay or reimburse, the costs of acquiring, constructing, renovating, remodeling and equipping certain of the Borrowers’ health care facilities (the “Project”), (ii) advance refund all or a portion of the outstanding principal amount of the Illinois Finance Authority Revenue Bonds, Series 2009 (Riverside Health System), (iii) provide for funded interest during construction of the Project, (iv) fund a debt service reserve fund, if deemed necessary or advisable by 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	<p>Final Bond Resolution</p> <p>Preliminary Bond Resolution approved 4/09/2013: Yeas: 8; Nays: 0; Abstentions: 0; Absent: 6 (Barclay; Gold; Leonard; Pedersen; Poole; Tessler); Vacancy: 1</p>																								
MATERIAL CHANGES	<p>None.</p>																								
JOB DATA	<table> <tr> <td>1,872</td> <td>Current jobs</td> <td>75</td> <td>New jobs projected</td> </tr> <tr> <td>1,872</td> <td>Retained jobs</td> <td>200</td> <td>Construction jobs projected</td> </tr> </table>	1,872	Current jobs	75	New jobs projected	1,872	Retained jobs	200	Construction jobs projected																
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DESCRIPTION	<ul style="list-style-type: none"> • Location: Kankakee County • Riverside Health System (“RHS”) is the parent corporation of a regional health system operating in the far southern portion of the Chicago metropolitan market and headquartered in Kankakee. • Included in this Project is the reimbursement for a portion of the cost of constructing a new patient tower that opened in December 2011 and the construction of a new assisted living facility in Bourbonnais, which is scheduled to begin in Spring 2013. 																								
CREDIT INDICATORS	<ul style="list-style-type: none"> • Riverside is currently rated A2 Stable Outlook/A+ Stable Outlook by Moody’s and S&P 																								
SECURITY	<ul style="list-style-type: none"> • Secured with a Master Trust Indenture Note 																								
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SOURCES AND USES ESTIMATED	<table> <thead> <tr> <th colspan="2">Sources:</th> <th colspan="2">Uses:</th> </tr> </thead> <tbody> <tr> <td>IFA Bonds</td> <td>\$35,000,000</td> <td>Project Fund</td> <td>\$21,680,335</td> </tr> <tr> <td>Premium</td> <td>\$3,560,861</td> <td>Refunding Escrow</td> <td>17,966,026</td> </tr> <tr> <td>DSRF</td> <td><u>\$1,610,500</u></td> <td>Costs of Issuance*</td> <td><u>525,000</u></td> </tr> <tr> <td>Total</td> <td><u>\$40,171,361</u></td> <td>Total</td> <td><u>\$40,171,361</u></td> </tr> <tr> <td></td> <td></td> <td>*estimated</td> <td></td> </tr> </tbody> </table>	Sources:		Uses:		IFA Bonds	\$35,000,000	Project Fund	\$21,680,335	Premium	\$3,560,861	Refunding Escrow	17,966,026	DSRF	<u>\$1,610,500</u>	Costs of Issuance*	<u>525,000</u>	Total	<u>\$40,171,361</u>	Total	<u>\$40,171,361</u>			*estimated	
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RECOMMENDATION	<p>Credit Committee recommends approval.</p>																								

**ILLINOIS FINANCE AUTHORITY
 BOARD SUMMARY
 May 14, 2013**

Project: Riverside Health System

STATISTICS

Project Number:	H-HO-TE-CD-8616	Amount:	\$35,000,000 (not-to-exceed)
Type:	501(c)(3) Revenue Bonds	IFA Staff:	Pam Lenane and Nora O'Brien
Locations:	Kankakee, Bourbonnais	County/Region:	Kankakee/Northeast

BOARD ACTION

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

VOTING RECORD

Preliminary Bond Resolution approved 4/09/2013:
 Yeas: 8; Nays: 0; Abstentions: 0; Absent: 6 (Barclay; Gold; Leonard; Pedersen; Poole; Tessler); Vacancy: 1

PURPOSE

The proceeds will be used by **Riverside** to (i) pay or reimburse, or refinance certain indebtedness the proceeds of which were used to pay or reimburse, the costs of acquiring, constructing, renovating, remodeling and equipping certain of the Borrowers' health care facilities (the "**Project**"), (ii) advance refund all or a portion of the outstanding principal amount of the \$66,500,000 Illinois Finance Authority Revenue Bonds, Series 2009 (**Riverside Health System**) (the "**Prior Debt**"), (iii) provide for funded interest during construction of the Project, (iv) fund a debt service reserve fund, 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.

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:	IFA Bonds	\$35,000,000	Uses:	Project Fund	\$21,680,335
	Premium	3,560,861		Refunding Escrow	17,966,026
	DSRF Release	<u>1,610,500</u>		Cost of Issuance*	<u>525,000</u>
	Total	<u>\$40,171,361</u>	Total		<u>\$40,171,361</u>
			*estimated		

JOBS

Current employment:	1,872 FTEs	Projected new jobs:	75 FTEs
Jobs retained:	1,872 FTEs	Construction jobs:	200 FTEs

FINANCING SUMMARY

Credit Enhancement:	None
Structure:	Fixed Rate Debt to be issued in a public offering.
Interest Rate:	Estimated at approximately 4.0% to 5.0%, dependent on market conditions on the day of pricing
Interest Rate Modes:	Fixed Rate Debt
Underlying Ratings:	Moody's - A2 (Stable Outlook); S&P – A+ (Stable Outlook)
Maturity:	No later than November 15, 2043
Estimated Closing Date:	May 31, 2013

PROJECT SUMMARY (FOR PRELIMINARY BOND RESOLUTION)

The proceeds will be used by **Riverside** to (i) pay or reimburse, or refinance certain indebtedness the proceeds of which were used to pay or reimburse, the costs of acquiring, constructing, renovating, remodeling and equipping certain of the Borrowers' health care facilities (the "**Project**"), (ii) advance refund all or a portion of the outstanding principal amount of the \$66,500,000 Illinois Finance Authority Revenue Bonds, Series 2009 (**Riverside Health System**) (the "**Prior Debt**"), (iii) provide for funded interest during construction of the Project, (iv) fund a debt service reserve fund, 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, including but not limited to the costs of refunding the Prior Debt, all as permitted by the Act (collectively, the "**Financing Purposes**").

BUSINESS SUMMARY

Riverside Health System ("**RHS**") is the parent corporation of a regional health system operating in the far southern portion of the Chicago metropolitan market and headquartered in Kankakee. RHS is the sole corporate member of **Riverside Medical Center** ("**Medical Center**"), **Oakside Corporation** ("**Oakside**"), **Butterfield Service Corporation** ("**Butterfield**") and **Riverside Senior Living Center** ("**Living Center**"). **Riverside Medical Center Foundation** (the "**Foundation**") is a not-for profit organization serving in an agency capacity by holding and managing certain investment assets contributed for the benefit of the Medical Center. All of these entities except for Butterfield Service Corporation are Illinois not-for-profit corporations and are organized as described under Section 501(c)(3) of the Internal Revenue Code. Butterfield is an Illinois business corporation.

In 1989, RHS, the Medical Center and Oakside became the initial members of an obligated group (the "**Obligated Group**") established under a Master Trust Indenture dated as of December 15, 1989, as amended and supplemented from time to time, among the members of the Obligated Group and The Bank Of New York Mellon Trust Company, N.A., successor to Bank One, National Association, as Master Trustee. Living Center became a member of the Obligated Group in 1990. Butterfield and the Foundation are not members of the Obligated Group.

- The Medical Center owns and operates a general acute care hospital in Kankakee, IL, which is licensed for 325 beds, of which 267 beds are currently staffed. In addition to the main hospital facility, the Medical Center operates the Resolve Center in Manteno, Illinois, which houses an 18-bed licensed inpatient substance abuse program and associated outpatient services. The Medical Center also operates Riverside Ambulance which provides ambulance service to the Medical Center's primary service area from six remote locations in Momence, Kankakee, St. Anne, Herscher, Limestone, and Ashkum. Riverside Ambulance is also responsible for 16 communities through its Emergency Medical Service System. In addition, the Medical Center operates multiple community, primary and specialty health centers located in Kankakee, Bourbonnais, Manteno, Monee, Momence, Hopkins Park, Watseka, Wilmington, Peotone and Coal City.
- The Medical Center also owns the Atrium Building in Bradley, Illinois which provides medical office space, space for a joint venture single-specialty ambulatory surgery center, and industrial medicine services. Located in Bourbonnais and owned by the Medical Center is the Medical Plaza, a comprehensive

ambulatory campus which includes radiation therapy, diagnostic imaging, ambulatory surgery, and physician office space. Located in Coal City and owned by the Medical Center is the West Campus, consisting of a state of the art diagnostic imaging center, and physician office complex.

- In 2011, the Medical Center opened a new multi-speciality physician and cancer infusion center in its southern market located in Watseka, Illinois. The facility provides diagnostic services including lab and CT. In December of 2012 the Medical Center expanded services at the Watseka Center to include physical therapy, additional radiology, a two suite sleep center, primary care physicians, and mid-level providers.
- Oakside operates the 70,000 square foot Riverside Health Fitness Center located in Bourbonnais, Illinois. Additionally, Oakside operates a community counseling program, two outreach clinics – Kankakee and Wilmington, a commercial pharmacy, a health equipment sales and leasing program and supports the new business activities of other affiliates.
- Living Center was incorporated in 1989 and owns and operates a senior living community that includes 90 independent living apartments known as Westwood Oaks, 96 assisted living apartments known as Butterfield Court, 18 ranch style family homes for seniors known as Westwood Estates and a 160-bed nursing facility. The senior living community is located directly across from the Medical Center in Kankakee and was constructed in phases beginning in 1990.
- There are no activities currently operated by Butterfield.

The **Riverside HealthCare Foundation** (“RHCF”) raises funds for RHS and its affiliates. From 2009 to 2011 the RHCF had total revenues of \$2.1 million and provided \$2.1 million in support of programs and initiatives for the Medical Center including over \$1.0 million in support of nursing education through scholarships. The Foundation had assets of \$14.0 million as of December 31, 2012.

Project Rationale: The Project will reimburse RHS for funds used to increase its capital assets over the last 18 months. Such funds will increase RHS’ financial flexibility and allow it to then fund from operating cash flow other projects as necessary. RHS will also use a portion of the funds for the construction of a new assisted living facility to be constructed in Bourbonnais.

ECONOMIC DISCLOSURE STATEMENT

Applicant:	Riverside HealthCare
Site Address:	Riverside Medical Center 350 N. Wall Street Kankakee, IL 60901
Contact:	Bill Douglas Senior Vice President, Chief Financial Officer
Website:	www.RiversideMC.net
Project name:	Riverside Health System (Series 2013)
Organization:	501(c)(3) Not-for-Profit Corporation
State:	Illinois

Ownership/2013 Board Members (501(c)(3)):

Connie Ashline, *Chairman*
Jerald Hoekstra, *Vice Chairman*
Philip Kambic, *President*
Bill Douglas, *Treasurer*
J Edgar Lambert, *Secretary*
Pamela Hull, *Assistant Secretary*
Harry Bond
Larry Goodman
Patrick Martin
Renuka Ramakrishna, M.D.
Karen Reid
Jaymie Simmon
Gary Wright

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Katten Muchin Rosenman LLP	Chicago	Janet Hoffman
Accountant:	KPMG	Chicago	Darryl Buikema
Bond Counsel:	Jones Day LLP	Chicago	Michael Mitchell
Bond Underwriter:	Barclays Capital Inc.	Chicago	Jay Sterns
Underwriter's Counsel:	Dentons	Chicago	Katherine Ashton
Bond Trustee:	BNY Mellon Trust Company		
Issuer's Counsel:	Pugh Jones & Johnson, P.C.	Chicago	Lorraine Tyson
Issuer's Advisor:	Acacia Financial Group, Inc.	Chicago	Courtney Shea

LEGISLATIVE DISTRICTS

Congressional: 11
State Senate: 40
State House: 79

SERVICE AREA

The primary service area is defined as Kankakee County. The secondary service area consists of portions of Will, Iroquois, Ford, Grundy, and Livingston Counties.