



February 18, 2015

**\$14,000,000
KishHealth System**

REQUEST	<p>Purpose: Bond proceeds will be used by KishHealth System (the “Corporation” or the “Borrower”) to (i) fund the purchase of a 70,324 square foot medical clinic building commonly known as the DeKalb Clinic, 1850 Gateway Drive, Sycamore, IL.</p> <p>Program: Conduit 501(c)(3) Revenue Bonds</p> <p>Extraordinary Conditions: None.</p>												
BOARD ACTIONS	<p>Final Bond Resolution</p> <p>Voting Record (December 9, 2014) – Preliminary Bond Resolution – 11 Yeas; 0 Nays; 0 Abstain; 4 Absent (Lonstein; Parish; Tessler; and Zeller); 0 Vacant.</p>												
MATERIAL CHANGES	None.												
JOB DATA	<table border="0"> <tr> <td>156</td> <td>Current jobs</td> <td>N/A</td> <td>New jobs projected</td> </tr> <tr> <td>156</td> <td>Retained jobs</td> <td>N/A</td> <td>Construction jobs projected</td> </tr> </table>	156	Current jobs	N/A	New jobs projected	156	Retained jobs	N/A	Construction jobs projected				
156	Current jobs	N/A	New jobs projected										
156	Retained jobs	N/A	Construction jobs projected										
DESCRIPTION	<ul style="list-style-type: none"> • Locations: Sycamore and DeKalb, Illinois (DeKalb County/Northeast Region) • KishHealth System is purchasing the existing 70,324 square foot medical clinic building located at 1850 Gateway Drive in Sycamore, Illinois. The property is presently utilized as a medical/clinic facility, serving the population of the greater DeKalb/Sycamore market. The property will serve a similar use upon purchase by KishHealth System. 												
SECURITY	<ul style="list-style-type: none"> • 1st mortgage and assignment of rents on the real estate at 1850 Gateway Drive, Sycamore, IL 												
CREDIT INDICATORS	<ul style="list-style-type: none"> • Direct purchase by the National Bank & Trust Company of Sycamore and Castle Bank, a subsidiary of First National Bank of Omaha 												
STRUCTURE	<ul style="list-style-type: none"> • Matures in 5-years or 10 years. • Principal and interest payments due monthly, based on a 20-year amortization. 												
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>\$13,300,000</u></td> <td>Purchase Real Estate (DeKalb Clinic)</td> <td><u>\$13,300,000</u></td> </tr> <tr> <td>Total</td> <td><u>\$13,300,000</u></td> <td>Total</td> <td><u>\$13,300,000</u></td> </tr> </table>	Sources:		Uses:		IFA Bonds	<u>\$13,300,000</u>	Purchase Real Estate (DeKalb Clinic)	<u>\$13,300,000</u>	Total	<u>\$13,300,000</u>	Total	<u>\$13,300,000</u>
Sources:		Uses:											
IFA Bonds	<u>\$13,300,000</u>	Purchase Real Estate (DeKalb Clinic)	<u>\$13,300,000</u>										
Total	<u>\$13,300,000</u>	Total	<u>\$13,300,000</u>										
RECOMMENDATION	Credit Review Committee recommends approval.												

**ILLINOIS FINANCE AUTHORITY
 BOARD SUMMARY
 February 18, 2015**

Project: KishHealth System

STATISTICS

Project Number: H-HO-TE-CD-8717	Amount: \$14,000,000 (Not-to-Exceed)
Type: 501(c)(3) Bonds	IFA Staff: Pam Lenane
Cities: DeKalb and Sycamore	County/Region: DeKalb County / Northeast Region

BOARD ACTION

Final Bond Resolution	No IFA Funds at Risk
Conduit 501(c)(3) Revenue Bonds	No Extraordinary Conditions
Credit Review Committee recommends approval.	

VOTING RECORD

Voting Record (December 9, 2014) – Preliminary Bond Resolution – 11 Yeas; 0 Nays; 0 Abstain; 4 Absent (Lonstein; Parish; Tessler; and Zeller); 0 Vacant.

PURPOSE

Bond proceeds will be used by **KishHealth System** (the “**Corporation**” or the “**Borrower**”) to (i) fund the purchase of a 70,324 square foot medical clinic building commonly known as 1850 Gateway Drive, Sycamore, IL 60178.

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 Jobs: 156	Projected new jobs: N/A
Retained Jobs: 156	Construction jobs: N/A

ESTIMATED SOURCES AND USES OF FUNDS

Sources:	Uses:
IFA Bonds	Purchase Real Estate (DeKalb Clinic)
<u>\$13,300,000</u>	<u>\$13,300,000</u>
Total	Total
<u>\$13,300,000</u>	<u>\$13,300,000</u>

FINANCING SUMMARY

Security:	1 st mortgage and assignment of rents on the real estate commonly known as 1850 Gateway Drive, Sycamore, IL
Structure:	Principal and interest payments due monthly based on 20-year amortization schedule
Interest Rate:	Option 1: 2.80% (5-year option) Option 2: 3.75% (10-year option)
Interest Mode:	Fixed

Maturity: Option 1) 5-years
 Option 2) 10-years

Rating: The Bonds will not be rated.

Estimated Closing Date: March 2015

PROJECT SUMMARY (FOR FINAL BOND RESOLUTION)

Bond proceeds will be used by **KishHealth System** (the “**Corporation**” or the “**Borrower**”) to (i) fund the purchase of a 70,324 square foot medical clinic building commonly known as 1850 Gateway Drive, Sycamore, IL.

BUSINESS SUMMARY

Market

KishHealth System’s (“KHS’s) operations are primarily comprised of its two hospital facilities: (i) Kishwaukee Community Hospital (“KCH”) located in DeKalb (DeKalb County), Illinois and (ii) Valley West Community Hospital (“VWCH”) in Sandwich (DeKalb County), Illinois, which also serves the adjacent communities of Plano and Yorkville in Kendall County.

Although KCH and VWCH comprise the majority of KHS’s operations, KHS operations also include the following entities:

- Kishwaukee Health Foundation;
- Health Progress Inc., an entity that facilitate KHS's joint ventures as well as certain clinics;
- The DeKalb County Hospice;
- Home Health; and
- Kishwaukee Physician Group (KPG), which employs approximately 10 physicians.

Although KHS remains independently controlled and governed, it has increased the number of its clinical affiliations during the past few years to further support its goals of expanding certain service lines, including an oncology affiliation with Loyola Health System (part of Trinity Health) in Chicago and a stroke center affiliation with Central DuPage Hospital (now known as Cadence Health). KHS employs about 10 physicians, and DeKalb Medical Clinic, the largest clinic in the immediate area, with about 23 physicians on KHS' medical staff, is independent of but is located across the road from KHS (bond proceeds are being used to purchase this medical clinic building which is known as the “DeKalb Clinic”).

The population of DeKalb County, estimated at 104,195, grew 11.31% in 2002 through 2007 but has slowed in recent years with just 1.1% total growth in the past five years.

Although KCH and VWCH are the only hospitals in DeKalb County, the greater service area is somewhat more competitive, with similarly sized and larger hospitals located in the neighboring counties of Winnebago (Rockford Memorial Hospital, Swedish American, and OSF Saint Anthony Medical Center, the last of which is part of OSF Health Care) and Kane (Delnor Community Hospital, which is part of Cadence Health; Sherman Hospital, which is part of Advocate Health Care Network; and Mercy and Saint Joseph Hospitals, which are part of Presence Health). Many of these hospitals are involved in or have recently completed their own construction projects, which could affect volumes, mostly in KHS’s secondary service area.

Additionally, hospitals from the southwest suburbs have developed outpatient centers that compete with VWCH in Kendall County. Also, although the primary service area accounts for the majority of KHS' patient volume, the secondary service area still accounts for about 20% of the total patient base.

ECONOMIC DISCLOSURE STATEMENT

Applicant: KishHealth System
 Location: DeKalb
 Project name: Kishwaukee (Series 2015)
 Organization: 501(c)(3) Not-for-Profit Corporation
 State: Illinois
 Contact: Loren Feolske, Chief Financial Officer

Board of Trustees:

Tom Matya, Chair	Mary Lynn McArtor
John Moulton, Vice Chair	Jagdish Patel
Tom Choice, 2 nd Vice Chair	Kevin Poorten
Mike Cullen	Leonetta Rizzi
Terry Duffy	Marc Strauss
Mike Larson	Promod Vohra
Photine Liakos	

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Reinhart, Boerner, Van Deuren	Milwaukee, WI
Bond Counsel:	Chapman and Cutler, LLP	Chicago, IL
Banks:	National Bank & Trust Co. of Sycamore	Sycamore, IL
	Castle Bank, N.A.	DeKalb, IL
Bank Counsel:	Chapman and Cutler, LLP	Chicago, IL
IFA Financial Advisor:	Sycamore Advisors LLC	Chicago, IL
Issuer's Counsel:	Foley & Lardner LLP	Chicago, IL

LEGISLATIVE DISTRICTS

Congressional: 14, 16 (Note Project is ½ block east of District 16 boundary; KHS is in District 16)
 State Senate: 35
 State House: 70

SERVICE AREA

