



**PAB CONDUIT**

July 9, 2015

**\$500,000,000  
OSF Healthcare System**

<b>REQUEST</b>	<p><b>Purpose:</b> The Series 2015 tax-exempt bonds will be used to refund Series 2007A, 2009A, 2009E bonds by depositing in an escrow account sufficient Treasury securities to pay principal and interest on the bonds until their respective call dates; to refinance an approximately \$32 million taxable loan used for the acquisitions of Kewanee Hospital in Kewanee and St. Anthony’s Health Center in Alton; to construct and equip a bed tower at Saint Anthony Medical Center in Rockford which received a CON for \$85,292,193; and to finance or to be reimbursed for approximately \$60 million of various capital projects at the Corporation’s Illinois facilities. Proceeds of the taxable bonds will be used for the advance refunding of a portion of the Series 2009A bonds and for other corporate purposes. <b>Program:</b> Conduit 501 (c)(3) Bonds <b>Extraordinary Conditions:</b> None.</p>																																																												
<b>BOARD ACTIONS</b>	Final Bond Resolution ( <i>One-Time Consideration</i> )																																																												
<b>MATERIAL CHANGES</b>	None – this is the first time this financing has been presented to the IFA Board of Directors.																																																												
<b>JOB DATA</b>	<table> <tr> <td>12,747</td> <td>Current jobs</td> <td>N/A</td> <td>Jobs created by project</td> </tr> <tr> <td>12,747</td> <td>Retained jobs</td> <td>650</td> <td>Construction jobs created by project</td> </tr> </table>	12,747	Current jobs	N/A	Jobs created by project	12,747	Retained jobs	650	Construction jobs created by project																																																				
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<b>BORROWER DESCRIPTION</b>	<ul style="list-style-type: none"> <li>• Locations: Peoria, Rockford, Alton, Bloomington, Ottawa, Galesburg, Pontiac, Mendota, Kewanee, and Monmouth</li> <li>• OSF Healthcare System (“OSF” or the “Corporation”) is an Illinois not-for-profit corporation, exempt from Federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. OSF was incorporated in 1880 as The Sisters of the Third Order of St. Francis. The Corporation’s current name was adopted as part of a corporate restructuring in 1989. The sole corporate member of OSF is The Sisters of the Third Order of St. Francis, a religious congregation founded in 1877 in Peoria, Illinois. The Corporation operates its health care facilities as a single corporation, with each health care facility functioning as an operating division of the Corporation.</li> </ul>																																																												
<b>SECURITY</b>	<ul style="list-style-type: none"> <li>• The Bonds will be secured by a master indenture note of OSF. No mortgage or debt service reserve fund will be required.</li> </ul>																																																												
<b>CREDIT INDICATORS</b>	<p><b>Public Offering:</b> The Bonds will be underwritten by Barclays and Jeffries. <b>Ratings:</b> A3/A/A by Moody’s/S&amp;P/Fitch <b>Interest Rate:</b> Fixed and Variable Rate <b>Maturity:</b> Up to 30 Years</p>																																																												
<b>SOURCES AND USES ESTIMATED</b>	<table border="0"> <thead> <tr> <th colspan="4" style="text-align: center;"><b>Tax-Exempt Sources &amp; Uses</b></th> </tr> <tr> <th colspan="2"><b>Sources:</b></th> <th colspan="2"><b>Uses:</b></th> </tr> </thead> <tbody> <tr> <td>IFA Bonds</td> <td style="text-align: right;">\$400,000,000</td> <td>Refunding/Refinancing</td> <td style="text-align: right;">\$250,000,000</td> </tr> <tr> <td></td> <td></td> <td>New Money</td> <td style="text-align: right;">105,000,000</td> </tr> <tr> <td></td> <td></td> <td>Reimbursement</td> <td style="text-align: right;">40,000,000</td> </tr> <tr> <td></td> <td></td> <td>Costs of Issuance*</td> <td style="text-align: right;"><u>5,000,000</u></td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b><u>\$400,000,000</u></b></td> <td><b>Total</b></td> <td style="text-align: right;"><b><u>\$400,000,000</u></b></td> </tr> <tr> <td colspan="4"><i>*Cost of Issuance estimated at 1.25% of par. Not reflective of actual costs.</i></td> </tr> <tr> <th colspan="4" style="text-align: center;"><b>Taxable Sources &amp; Uses</b></th> </tr> <tr> <th colspan="2"><b>Sources:</b></th> <th colspan="2"><b>Uses:</b></th> </tr> <tr> <td>IFA Bonds</td> <td style="text-align: right;">\$100,000,000</td> <td>Other Corporate Uses</td> <td style="text-align: right;">\$53,750,000</td> </tr> <tr> <td></td> <td></td> <td>Refunding</td> <td style="text-align: right;">45,000,000</td> </tr> <tr> <td></td> <td></td> <td>Costs of Issuance*</td> <td style="text-align: right;"><u>1,250,000</u></td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b><u>\$100,000,000</u></b></td> <td><b>Total</b></td> <td style="text-align: right;"><b><u>\$100,000,000</u></b></td> </tr> <tr> <td colspan="4"><i>*Cost of Issuance estimated at 1.25% of par. Not reflective of actual costs.</i></td> </tr> </tbody> </table>	<b>Tax-Exempt Sources &amp; Uses</b>				<b>Sources:</b>		<b>Uses:</b>		IFA Bonds	\$400,000,000	Refunding/Refinancing	\$250,000,000			New Money	105,000,000			Reimbursement	40,000,000			Costs of Issuance*	<u>5,000,000</u>	<b>Total</b>	<b><u>\$400,000,000</u></b>	<b>Total</b>	<b><u>\$400,000,000</u></b>	<i>*Cost of Issuance estimated at 1.25% of par. Not reflective of actual costs.</i>				<b>Taxable Sources &amp; Uses</b>				<b>Sources:</b>		<b>Uses:</b>		IFA Bonds	\$100,000,000	Other Corporate Uses	\$53,750,000			Refunding	45,000,000			Costs of Issuance*	<u>1,250,000</u>	<b>Total</b>	<b><u>\$100,000,000</u></b>	<b>Total</b>	<b><u>\$100,000,000</u></b>	<i>*Cost of Issuance estimated at 1.25% of par. Not reflective of actual costs.</i>			
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<b>RECOMMENDATION</b>	Credit Review Committee Recommends approval.																																																												

**ILLINOIS FINANCE AUTHORITY  
BOARD SUMMARY  
July 9, 2015**

**Project: OSF Healthcare System**

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**STATISTICS**

Project Number:	H-HO-TE-CD-8760	Amount:	\$500,000,000 (Not to exceed)
Type:	501(c)(3) Bonds	IFA Staff:	Pam Lenane
Locations:	Peoria, Rockford, Alton, Bloomington, Ottawa, Galesburg, Pontiac, Mendota, Kewanee, Monmouth	County/ Regions:	Peoria/North Central, Winnebago/ Northern Stateline, Madison/Southwestern, McLean/North Central, LaSalle/Northwest, Knox/West Central, Livingston/North Central, Henry/Northwest, Warren/West Central

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**BOARD ACTION**

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

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**VOTING RECORD**

None – this is the first time this financing has been presented to the IFA Board of Directors.

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**PURPOSE**

The Series 2015 tax-exempt bonds will be used to refund Series 2007A, 2009A, 2009E bonds by depositing in an escrow account sufficient Treasury securities to pay principal and interest on the bonds until their respective call dates; to refinance an approximately \$32 million taxable loan used for the acquisitions of Kewanee Hospital in Kewanee and St. Anthony's Health Center in Alton; to construct and equip a bed tower at Saint Anthony Medical Center in Rockford which received a CON for \$85,292,193; and to finance or to be reimbursed for approximately \$60 million of various capital projects at the Corporation's Illinois facilities.

Proceeds of the taxable bonds will be used for the advance refunding of a portion of the Series 2009A bonds and for other corporate purposes.

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**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 income tax-exempt status on interest earned on the Bonds paid to bondholders, thereby reducing the Borrower's interest expense.

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**VOLUME CAP**

501(c)(3) Bonds do not require Volume Cap.

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**JOBS**

Current employment:	12,747 FTEs	Projected new jobs:	N/A
Jobs retained:	12,747 FTEs	Construction jobs:	650

**ESTIMATED SOURCES AND USES OF FUNDS**

**Tax-Exempt Sources & Uses**

<b>Sources:</b>		<b>Uses:</b>	
IFA Bonds	\$400,000,000	Refunding/Refinancing	\$250,000,000
		New Money	105,000,000
		Reimbursement	40,000,000
		Costs of Issuance*	<u>5,000,000</u>
<b>Total</b>	<b><u>\$400,000,000</u></b>	<b>Total</b>	<b><u>\$400,000,000</u></b>

*\*Cost of Issuance estimated at 1.25% of par. Not reflective of actual costs.*

**Taxable Sources & Uses**

<b>Sources:</b>		<b>Uses:</b>	
IFA Bonds	\$100,000,000	Other Corporate Uses	\$53,750,000
		Refunding	45,000,000
		Costs of Issuance*	<u>1,250,000</u>
<b>Total</b>	<b><u>\$100,000,000</u></b>	<b>Total</b>	<b><u>\$100,000,000</u></b>

*\*Cost of Issuance estimated at 1.25% of par. Not reflective of actual costs.*

**FINANCING SUMMARY**

- Security: The Bonds will be secured by a master indenture note of OSF.
- Par Amount: Up to \$500,000,000.
- Structure: The structure of this Series 2015 Bond issue will include serial as well as term bonds.
- Interest Rate: Fixed rate estimated from 3.0% -5.0%; Variable rate estimated at SIFMA.
- Interest Mode: Fixed and Variable
- Credit Enhancement: None for fixed or certain variable structures; bank credit for other variable structures.
- Maturity: Up to 30 Years (11/15/2045)
- Rating: A3/A/A (Moody's/S&P/Fitch)
- Closing Date: September 29, 2015

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

The Series 2015 tax-exempt bonds will be used to refund Series 2007A, 2009A, 2009E bonds by depositing in an escrow account sufficient Treasury securities to pay principal and interest on the bonds until their respective call dates; to refinance an approximately \$32 million taxable loan used for the acquisitions of Kewanee Hospital in Kewanee and St. Anthony's Health Center in Alton; to construct and equip a bed tower at Saint Anthony Medical Center in Rockford which received a CON for \$85,292,193; and to finance or to be reimbursed for approximately \$60 million of various capital projects at the Corporation's Illinois facilities.

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**BUSINESS SUMMARY**

**Background:** OSF Healthcare System (“**OSF**” or the “**Corporation**”) is an Illinois not-for-profit corporation, exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. OSF was incorporated in 1880 as The Sisters of the Third Order of St. Francis. The Corporation’s current name was adopted as part of a corporate restructuring in 1989. The sole corporate member of OSF is The Sisters of the Third Order of St. Francis, a religious congregation founded in 1877 in Peoria, Illinois. The Corporation operates its health care facilities as a single corporation, with each health care facility functioning as an operating division of the Corporation.

**Description:** OSF is headquartered in Peoria. Ten of the Corporation’s hospitals are located in Illinois. One hospital is located in Michigan. OSF has 1,540 licensed acute care beds. The Corporation’s largest hospital, St. Francis Medical Center in Peoria, is a 609-licensed bed tertiary care teaching center providing numerous specialty services and extensive residency programs for physicians. The array of health services provided by OSF also includes 42 hospital-based outpatient facilities, approximately 108 physician office facilities of employed physicians, six home health agencies and five hospices. Multi-institutional membership status has been conferred on the Corporation by the Illinois Hospital Association and the American Hospital Association. Similar membership status exists with the Catholic Health Association of the United States and the Illinois Catholic Health Association.

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**ECONOMIC DISCLOSURE STATEMENT**

**Project name:** OSF Healthcare System

**Location:** 800 North East Glen Oak Avenue; Peoria, Illinois 61603

**Applicant:** OSF Healthcare System

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

**State:** Illinois

**Board Members:**  
Sister Judith Ann Duvall, O.S.F., Chairperson  
Kevin D. Schoepfle, Vice Chairperson  
Sister Diane Marie McGrew, O.S.F., President/Treasurer  
Sister Theresa Ann Brazeau, O.S.F., Secretary  
Sister M. Mikela Meidl, F.S.G.M.  
Sister Maria Elena Padilla, O.S.F.  
Sister Agnes Joseph Williams, O.S.F.  
Sister Rose Therese Mann, O.S.F.  
James W. Girardy, M.D.  
Gerald J. McShane, M.D.  
Brian Silverstein, M.D.

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**PROFESSIONAL & FINANCIAL**

Borrower's Counsel:	OSF Corporate Counsel	Peoria	Robert Brandfass
Borrower's Special Counsel:	Hinshaw & Culbertson	Chicago	Leslie Richards-Yellen
Accountant:	KPMG	Chicago	Charles Klesewski
Bond Counsel:	Chapman and Cutler LLP	Chicago	John Bibby
Underwriters:	Barclays	New York	David Stephan
	Jefferies	New York	James Olsen
Underwriters' Counsel:	Dentons	Chicago	Kathryn Ashton
Financial Advisor:	Anne Donahoe	Chicago	Anne Donahoe
Bond Trustee:	Wells Fargo Bank	Chicago	Gail Klewin
Issuer's Counsel:	Foley & Lardner	Chicago	Laura Bilas

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**LEGISLATIVE DISTRICTS**

Congressional:	18
	12
	16
	17
State Senate:	46
	37
	53
	44
	47
	34
	35
	38
	56
State House:	92
	73
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	105
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	106
	111

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**SERVICE AREA**

Service Area: OSF has facilities in the following locations in Illinois: Peoria (St. Francis Medical Center); Rockford (St. Anthony Medical Center); Alton (Saint Anthony's Health Center); Bloomington (St. Joseph Medical Center); Ottawa (Saint Elizabeth Medical Center); Galesburg (St. Mary Medical Center); Pontiac (St. James Hospital); Mendota (Saint Paul Medical Center); Kewanee (Saint Luke Medical Center); Monmouth (Holy Family Medical Center). The facility in Michigan, St. Francis Hospital, is located in Escanaba.