



April 14, 2016

**\$525,000,000
MercyRockford Health System Corporation**

REQUEST	<p>Purpose: Bond proceeds will be used by MercyRockford Health System Corporation and one or more of its affiliates (the “Borrower”) to (i) fund new money projects including the construction of a second campus for Rockford Memorial Hospital (“RMH”), the Riverside Campus, that will include 188 inpatient beds, extensive outpatient services and an Ambulatory Services building and renovations of the Rockford Memorial Hospital, Rockton Avenue Campus, (ii) refinance all or portion of the Rockford Memorial Hospital Obligated Group Series 2008 and Series 2012 debt, the proceeds of which were used to refinance prior debts, (iii) refinance all or a portion of the Mercy Alliance, Inc. Obligated Group (“MAI”), Series 2010A debt, the proceeds which were used to refinance prior debts and fund various projects at certain health facilities located in Wisconsin, (iv) fund one or more debt service reserve funds, if deemed necessary or advisable by the Borrower, (v) pay a portion of the interest accruing on the Bonds, if deemed necessary or advisable by the Borrower, (vi) pay certain working capital expenditures, if deemed necessary or desirable by the Borrower, (vii) pay certain swap or placement termination payments, if deemed necessary or desirable by the Borrower and (viii) pay certain expenses incurred in connection with the issuance of the Bonds and the refinancing.</p> <p>Program: Conduit 501(c)(3) Revenue Bonds</p> <p>Extraordinary Conditions: None.</p>																																
BOARD ACTIONS	<p>Final Bond Resolution Voting Record (February 11, 2016) – Preliminary Bond Resolution – 12 Yeas; 0 Nays; 0 Abstain; 3 Absent (O’Brien; Tessler; Yonover); 0 Vacancies.</p>																																
MATERIAL CHANGES	<p>Material changes to this report from the version presented in February 2016 include the following: (1) decrease in the not to exceed amount from \$550,000,000 to \$525,000,000; and (2) estimated sources and uses refined.</p>																																
JOB DATA	<p>5,930 FTE Current jobs 331 New jobs projected 6,261 Retained jobs 1,000 to 1,500 Construction jobs projected* *Projected construction jobs based on discussions with contractors and union officials.</p>																																
DESCRIPTION	<ul style="list-style-type: none"> • Location: Rockford/Winnebago County/Northern Stateline Region • MercyRockford Health System Corporation is the sole member of Rockford Memorial Hospital. MercyRockford Health System Corporation was created on January 1, 2015 from the merger of Mercy Alliance, Inc. of Janesville, Wisconsin and Rockford Health System of Rockford, Illinois. Mercy Alliance, Inc. included 3 hospitals, the Mercy Hospital and Trauma Center in Janesville Wisconsin, Mercy Harvard Hospital and Mercy Walworth Hospital and Medical Center. Rockford Health System includes Rockford Memorial Hospital and a 50% Joint Venture in Van Matre Rehabilitation Hospital. • The System provides a full continuum of care through its five hospitals with approximately 674 licensed acute beds, 71 licensed long term beds, 533 employed partner physicians at 52 community centers providing both primary and specialty physician services, outpatient centers, free standing emergency room, 2 home health programs, and hospice care throughout 10 counties in southern Wisconsin and northern Illinois. 																																
CREDIT INDICATORS	<ul style="list-style-type: none"> • The Bonds will be public fixed rate debt. • Expected underlying rating of Moody’s A3 to be delivered the week of April 10, 2016. 																																
SECURITY	<ul style="list-style-type: none"> • The obligations of the Members of the Obligated Group (to be determined) are secured by security interest in pledged revenues. In addition, there may be a mortgage lien on the Riverside Campus. 																																
MATURITY	<ul style="list-style-type: none"> • Bonds will mature no later than 2056 																																
SOURCES AND USES ESTIMATED	<table border="0"> <thead> <tr> <th colspan="2">Sources:</th> <th colspan="2">Uses:</th> </tr> </thead> <tbody> <tr> <td>IFA Series 2016 Bonds</td> <td>\$483,365,000</td> <td>Refunding</td> <td>\$98,693,882</td> </tr> <tr> <td>Premium</td> <td>\$56,557,296</td> <td>Project Fund</td> <td>\$425,000,000</td> </tr> <tr> <td>Trustee-Held Funds</td> <td>\$3,234,500</td> <td>Capitalized Interest Fund</td> <td>\$52,412,416</td> </tr> <tr> <td></td> <td></td> <td>Cost of Issuance</td> <td>\$4,110,498</td> </tr> <tr> <td></td> <td></td> <td>Swap Termination (RHS 2008)</td> <td>\$1,850,000</td> </tr> <tr> <td>Equity Contribution</td> <td><u>\$40,000,000</u></td> <td>Placement Termination (RHS 2012)</td> <td><u>\$1,090,000</u></td> </tr> <tr> <td>Total</td> <td><u>\$583,156,796</u></td> <td>Total</td> <td><u>\$583,156,796</u></td> </tr> </tbody> </table>	Sources:		Uses:		IFA Series 2016 Bonds	\$483,365,000	Refunding	\$98,693,882	Premium	\$56,557,296	Project Fund	\$425,000,000	Trustee-Held Funds	\$3,234,500	Capitalized Interest Fund	\$52,412,416			Cost of Issuance	\$4,110,498			Swap Termination (RHS 2008)	\$1,850,000	Equity Contribution	<u>\$40,000,000</u>	Placement Termination (RHS 2012)	<u>\$1,090,000</u>	Total	<u>\$583,156,796</u>	Total	<u>\$583,156,796</u>
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RECOMMENDATION	<p>Credit Review Committee recommends approval.</p>																																

**ILLINOIS FINANCE AUTHORITY
 BOARD SUMMARY
 April 14, 2016**

Project: MercyRockford Health System

STATISTICS

Project Number: 12326	Amount:	\$525,000,000 (not-to-exceed)
Type: 501(c)(3) Revenue Bonds	IFA Staff:	Pam Lenane and Tammy Harter
Locations: Rockford	County/Region:	Winnebago County/Northern Stateline

BOARD ACTION

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

PURPOSE

Bond proceeds will be used by MercyRockford Health System Corporation and one or more of its affiliates (the "Borrower") to (i) fund new money projects including the construction of a second campus for Rockford Memorial Hospital, the Riverside Campus, that will include 188 inpatient beds, extensive outpatient services and an Ambulatory Services building and renovations of the Rockford Memorial Hospital, Rockton Avenue Campus, (ii) refinance all or portion of the Rockford Memorial Hospital Obligated Group Series 2008 and Series 2012 debt, the proceeds of which were used to refinance prior debts, (iii) refinance all or a portion of the Mercy Alliance, Inc. Obligated Group Series 2010A debt, the proceeds which were used to refinance prior debts and fund various projects at certain health facilities located in Wisconsin, (iv) fund one or more debt service reserve funds, if deemed necessary or advisable by the Borrower, (v) pay a portion of the interest accruing on the Bonds, if deemed necessary or advisable by the Borrower, (vi) pay certain working capital expenditures, if deemed necessary or desirable by the Borrower, (vii) pay certain swap or placement termination payments, if deemed necessary or desirable by the borrower and (viii) pay certain expenses incurred in connection with the issuance of the Bonds and the refinancing.

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 Series 2016 Bonds	\$483,365,000	Refunding	\$98,693,882
Premium	56,557,296	Project Fund	425,000,000
Trustee-Held Funds	3,234,500	Capitalized Interest Fund	52,412,416
		Cost of Issuance	4,110,498
		Swap Termination (RHS 2008)	1,850,000
Equity	<u>40,000,000</u>	Placement Termination (RHS 2012)	<u>1,090,000</u>
Total	<u>\$583,156,796</u>	Total	<u>\$583,156,796</u>

ECONOMIC DISCLOSURE STATEMENT

Applicant: MercyRockford Health System Corporation

Site Address: MercyRockford Health System Corporation
3401 N Perryville Rd
Suite 303
Rockford, Illinois 61114

Contact: Henry M. Seybold Jr., Senior Vice President, Finance & CFO

Project name: Riverside Campus

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

Ownership/2015 Board Members (501(c)(3)):

Rowland J. McClellan, *Chairperson*
Connie M. Vitali, M.D., *Vice Chairperson*
Thomas D. Budd, *Treasurer*
Thomas R. Pool, *Secretary*
Javon R. Bea, *President and Chief Executive Officer*
Jack J. Becherer, Ed.D
Mark L. Goelzer, M.D.
Paul A. Green
Dave L. Syverson

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Hall, Render, Killian, Heath & Lyman	Milwaukee, WI	Pat Walsh
Auditor:	Wipfli LLP	Green Bay, WI	Steven Thompson
Underwriter:	Ziegler	Chicago, IL	John Hanley
Bond Counsel:	Chapman and Cutler LLP	Chicago, IL	Mike Mitchell
Underwriter's Counsel:	Dinsmore & Shohl LLP	Chicago, IL	Glen Pratt
Bond Trustee:	U.S. Bank National Association	Milwaukee, WI	Gene Ploeger
Issuer's Counsel:	Quarles & Brady LLP	Milwaukee, WI	Jennifer Powers
Issuer's Advisor:	Sycamore Advisors, LLC	Chicago, IL	Melanie Shaker

LEGISLATIVE DISTRICTS

Congressional: 16, 17
State Senate: 34, 35, 36, 45
State House: 67, 68, 69, 70, 71, 89, 90

SERVICE AREA

MercyRockford Health System Corporation has hospital facilities in the following locations in Illinois and Wisconsin: Rockford, IL (Rockford Memorial Hospital), Harvard, IL (Mercy Harvard Hospital), Janesville, WI (Mercy Hospital and Trauma Center) and Walworth, WI (Mercy Walworth Hospital and Medical Center).