



November 30, 2017

\$300,000,000
Hospital Sisters Services, Inc.

REQUEST

Purpose: Bond proceeds will be loaned to **Hospital Sisters Services, Inc.** (“**HSSI**” or the “**Corporation**”) to (i) currently refund all or a portion of the outstanding principal amount of the \$120,415,000 Maximum Principal Amount Illinois Finance Authority Revenue Bonds, Series 2012A (Hospital Sisters Services, Inc. – Obligated Group) (the “**Series 2012A Bonds**”); (ii) currently refund all or a portion of the outstanding principal amount of the \$31,645,000 Illinois Finance Authority Revenue Refunding Bonds, Series 2012G (Hospital Sisters Services, Inc. – Obligated Group) (the “**Series 2012G Bonds**”); (iii) currently refund all or a portion of the outstanding principal amount of the \$65,885,000 Illinois Finance Authority Revenue Refunding Bonds, Series 2012H (Hospital Sisters Services, Inc. – Obligated Group) (the “**Series 2012H Bonds**”); (iv) currently refund all or a portion of the outstanding principal amount of the \$89,460,000 Illinois Finance Authority Revenue Refunding Bonds, Series 2012I (Hospital Sisters Services, Inc. – Obligated Group) (the “**Series 2012I Bonds**”); (v) currently refund all or a portion of the outstanding principal amount of the \$75,000,000 Southwestern Illinois Development Authority Revenue Bonds, Series 2016 (Hospital Sisters Services, Inc. – Obligated Group) (the “**Series 2016 Bonds**”); (vi) currently refund all or a portion of the outstanding principal amount of the \$64,870,000 Southwestern Illinois Development Authority Revenue Bonds, Series 2017B (Hospital Sisters Services, Inc. – Obligated Group) (the “**Series 2017B Bonds**” and, together with the Series 2012A Bonds, the Series 2012G Bonds, the Series 2012H Bonds, the Series 2012I Bonds and Series 2016 Bonds, the “**Prior Bonds**”); (vii) pay or reimburse the Corporation or St. Elizabeth’s Hospital of the Hospital Sisters of the Third Order of St. Francis (“**St. Elizabeth’s**”), St. Joseph’s Hospital, Breese, of the Hospital Sisters of the Third Order of St. Francis (“**St. Joseph’s Breese**”), St. Mary’s Hospital, Decatur, of the Hospital Sisters of the Third Order of St. Francis (“**St. Mary’s Decatur**”), St. Anthony’s Memorial Hospital of the Hospital Sisters of the Third Order of St. Francis (“**St. Anthony’s**”), St. Joseph’s Hospital of the Hospital Sisters of the Third Order of St. Francis (“**St. Joseph’s Highland**”), St. Francis Hospital of the Hospital Sisters of the Third Order of St. Francis (“**St. Francis**”), St. John’s Hospital of the Hospital Sisters of the Third Order of St. Francis (“**St. John’s**”), St. Mary’s Hospital, Streator, of the Hospital Sisters of the Third Order of St. Francis (“**St. Mary’s Streator**”), HSHS Good Shepherd Hospital, Inc. (“**Good Shepherd**”) and HSHS Holy Family Hospital, Inc. (“**Holy Family**”) and, together with St. Elizabeth’s, St. Joseph’s Breese, St. Mary’s Decatur, St. Anthony’s, St. Joseph’s Highland, St. Francis, St. John’s, St. Mary’s Streator and Good Shepherd, the “**Illinois Users**”), each an Illinois not for profit corporation, and St. Joseph’s Hospital of the Hospital Sisters of the Third Order of St. Francis (“**St. Joseph’s**”), Sacred Heart Hospital of the Hospital Sisters of the Third Order of St. Francis (“**Sacred Heart**”), St. Mary’s Hospital Medical Center of Green Bay, Inc. (“**St. Mary’s**”), St. Vincent Hospital of the Hospital Sisters of the Third Order of St. Francis (“**St. Vincent**”), St. Nicholas Hospital of the Hospital Sisters of the Third Order of St. Francis (“**St. Nicholas**”) and St. Clare Memorial Hospital, Inc. (“**St. Clare**” and, together with St. Joseph’s, Sacred Heart, St. Mary’s, St. Vincent and St. Nicholas, the “**Wisconsin Users**” and, together with the Illinois Users, the “**Users**”) for the costs of acquiring, constructing, renovating, remodeling and equipping certain health facilities of the Corporation and the Users; (viii) pay a portion of the interest accruing on the Bonds, if deemed necessary or advisable by the applicable Authority and the Corporation; (ix) fund working capital, if deemed necessary or advisable by the applicable Authority and the Corporation; and (x) pay certain expenses incurred in connection with the issuance of the Bonds and the current refunding of the Prior Bonds.

In Addition, the Corporation has requested that the Authority enter into certain amendments to the bond documents for the Prior Bonds previously issued by the Authority in order to provide additional flexibility in converting to different interest rate modes in the future. Such amendments may constitute a reissuance for federal income tax purposes.

	Program: Conduit 501(c)(3) Revenue Bonds (<i>Multi-State</i>)			
	Extraordinary Conditions: None.			
BOARD ACTIONS	Final Bond Resolution (<i>One-time consideration</i>)			
JOB DATA	9,470	Current jobs (IL)	0	New jobs projected
	9,470	Retained jobs	35	Construction jobs projected
DESCRIPTION	<ul style="list-style-type: none"> Location: St. John’s Hospital, Springfield, IL operating a 439 bed acute care facility St. Francis Hospital, Litchfield, IL operating a 25 bed critical access facility St. Mary’s Hospital, Decatur, IL operating a 244 bed acute care facility Good Shepherd Hospital, Shelbyville, IL operating a 30 bed acute care facility St. Elizabeth’s Hospital, O’Fallon, IL operating a 144 bed acute care facility St. Joseph’s Hospital, Breese, IL operating a 70 bed acute care facility St. Anthony’s Hospital, Effingham, IL operating a 133 bed acute care facility St. Joseph’s Hospital, Highland, IL operating a 25 bed critical access facility Holy Family Hospital, Greenville, IL operating a 42 bed acute care facility St. Joseph’s Hospital, Chippewa Falls, WI operating a 217 acute care facility Sacred Heart Hospital, Eau Claire, WI operating a 344 bed acute care facility St. Mary’s Hospital, Green Bay, WI operating a 158 acute care facility St. Vincent Hospital, Green Bay, WI operating a 517 bed acute care facility St. Clare Hospital, Oconto Falls, WI operating a 25 bed critical access facility St. Nicholas Hospital, Sheboygan, WI operating a 185 bed acute care facility The Corporation does not operate any health care facility but is the sole member of each User. 			
CREDIT INDICATORS	<ul style="list-style-type: none"> The Bonds will be a direct bank purchase by DNT Asset Trust, an affiliate of JPMorgan Chase Bank, N.A. Hospital Sisters Services, Inc. has current ratings of “AA-”/ “AA-” (by Fitch/S&P). 			
SECURITY	<ul style="list-style-type: none"> The Bonds will be secured by the Borrower’s Direct Note Obligations issued pursuant to its Master Trust Indenture (“MTI”). 			
MATURITY	<ul style="list-style-type: none"> No later than 2047. 			
SOURCES AND USES ESTIMATED	Sources:		Uses:	
	IFA Bonds	<u>\$300,000,000</u>	New Money	\$175,000,000
			Est. Refunding	123,250,000
			Est. Cost of Issuance	<u>1,750,000</u>
	Total	<u>\$300,000,000</u>	Total	<u>\$300,000,000</u>
RECOMMENDATION	Credit Review Committee recommends approval.			

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
November 30, 2017**

Project: Hospital Sisters Services, Inc.

STATISTICS

Project Number:	12416	Amount:	\$300,000,000 (not-to-exceed)
Type:	501(c)(3) Revenue Bonds	IFA Staff:	Pam Lenane
Locations:	Illinois: Decatur, Litchfield, Shelbyville, Springfield, Effingham, Breese, Greenville, Highland, O'Fallon, Wisconsin: Chippewa Falls, Eau Claire, Green Bay, Sheboygan, Oconto Falls	Counties:	Illinois: Macon, Montgomery, Shelby, Sangamon, Effingham, Clinton, Bond, Madison, St. Clair; Wisconsin: Chippewa, Eau Claire, Brown, Sheboygan, Oconto
		Regions:	Illinois: Central, Southeast, Southwest Wisconsin: Eastern and Western

BOARD ACTION

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

VOTING RECORD

This is the first time this project has been brought before the IFA Board of Directors.

PURPOSE

Bond proceeds will be loaned to **Hospital Sisters Services, Inc.** (“**HSSI**” or the “**Corporation**”) to (i) currently refund all or a portion of the outstanding principal amount of the \$120,415,000 Maximum Principal Amount Illinois Finance Authority Revenue Bonds, Series 2012A (Hospital Sisters Services, Inc. – Obligated Group) (the “**Series 2012A Bonds**”); (ii) currently refund all or a portion of the outstanding principal amount of the \$31,645,000 Illinois Finance Authority Revenue Refunding Bonds, Series 2012G (Hospital Sisters Services, Inc. – Obligated Group) (the “**Series 2012G Bonds**”); (iii) currently refund all or a portion of the outstanding principal amount of the \$65,885,000 Illinois Finance Authority Revenue Refunding Bonds, Series 2012H (Hospital Sisters Services, Inc. – Obligated Group) (the “**Series 2012H Bonds**”); (iv) currently refund all or a portion of the outstanding principal amount of the \$89,460,000 Illinois Finance Authority Revenue Refunding Bonds, Series 2012I (Hospital Sisters Services, Inc. – Obligated Group) (the “**Series 2012I Bonds**”); (v) currently refund all or a portion of the outstanding principal amount of the \$75,000,000 Southwestern Illinois Development Authority Revenue Bonds, Series 2016 (Hospital Sisters Services, Inc. – Obligated Group) (the “**Series 2016 Bonds**”); (vi) currently refund all or a portion of the outstanding principal amount of the \$64,870,000 Southwestern Illinois Development Authority Revenue Bonds, Series 2017B (Hospital Sisters Services, Inc. – Obligated Group) (the “**Series 2017B Bonds**” and, together with the Series 2012A Bonds, the Series 2012G Bonds, the Series 2012H Bonds, the Series 2012I Bonds and Series 2016 Bonds, the “**Prior Bonds**”); (vii) pay or reimburse the Corporation or St. Elizabeth’s Hospital of the Hospital Sisters of the Third Order of St. Francis (“**St. Elizabeth’s**”), St. Joseph’s Hospital, Breese, of the Hospital Sisters of the Third Order of St. Francis (“**St. Joseph’s Breese**”), St. Mary’s Hospital, Decatur, of the Hospital Sisters of the Third Order of St. Francis (“**St. Mary’s Decatur**”), St. Anthony’s Memorial Hospital of the Hospital Sisters of the Third Order of St. Francis (“**St. Anthony’s**”), St. Joseph’s Hospital of the Hospital Sisters of the Third Order of St. Francis (“**St. Joseph’s Highland**”), St. Francis Hospital of the Hospital Sisters of the Third Order of St. Francis (“**St. Francis**”), St. John’s Hospital of the Hospital Sisters of the Third Order of St. Francis (“**St. John’s**”), St. Mary’s Hospital, Streator, of the Hospital Sisters of the Third Order of St. Francis (“**St. Mary’s Streator**”), HSHS Good Shepherd Hospital, Inc. (“**Good Shepherd**”) and HSHS Holy Family Hospital, Inc. (“**Holy Family**”) and, together with St. Elizabeth’s, St. Joseph’s Breese, St. Mary’s Decatur, St. Anthony’s, St. Joseph’s Highland, St. Francis, St. John’s, St. Mary’s Streator and Good Shepherd, the “**Illinois Users**”), each an Illinois not for profit

corporation, and St. Joseph’s Hospital of the Hospital Sisters of the Third Order of St. Francis (“**St. Joseph’s**”), Sacred Heart Hospital of the Hospital Sisters of the Third Order of St. Francis (“**Sacred Heart**”), St. Mary’s Hospital Medical Center of Green Bay, Inc. (“**St. Mary’s**”), St. Vincent Hospital of the Hospital Sisters of the Third Order of St. Francis (“**St. Vincent**”), St. Nicholas Hospital of the Hospital Sisters of the Third Order of St. Francis (“**St. Nicholas**”) and St. Clare Memorial Hospital, Inc. (“**St. Clare**” and, together with St. Joseph’s, Sacred Heart, St. Mary’s, St. Vincent and St. Nicholas, the “Wisconsin Users” and, together with the Illinois Users, the “Users”) for the costs of acquiring, constructing, renovating, remodeling and equipping certain health facilities of the Corporation and the Users; (viii) pay a portion of the interest accruing on the Bonds, if deemed necessary or advisable by the applicable Authority and the Corporation; (ix) fund working capital, if deemed necessary or advisable by the applicable Authority and the Corporation; and (x) pay certain expenses incurred in connection with the issuance of the Bonds and the current refunding of the Prior Bonds.

In addition, the Corporation has requested that the Authority enter into certain amendments to the bond documents for the Prior Bonds previously issued by the Authority in order to provide additional flexibility in converting to different interest rate modes in the future. Such amendments may constitute a reissuance for federal income tax purposes.

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 and thereby reducing the borrower’s interest expense.

VOLUME CAP

501(c)(3) Bond issues do not require Volume Cap.

JOBS

Current employment:	9,470 FTE’s (in Illinois)	New jobs projected:	0
Jobs retained:	9,470 FTE’s (in Illinois)	Construction jobs projected:	35

ESTIMATED SOUCES AND USES OF FUNDS

Sources:		Uses:	
IFA Bonds	<u>\$300,000,000</u>	New Money	\$175,000,000
		Est. Refunding	123,250,000
		Est. Cost of Issuance	<u>1,750,000</u>
Total	<u>\$300,000,000</u>	Total	<u>\$300,000,000</u>

FINANCING SUMMARY/STRUCTURE

Security: All members of the Obligated Group (the fifteen hospitals in Illinois and Wisconsin), are liable for HSSI debt. These bonds will be issued on a parity basis with the existing indebtedness of Hospital Sisters Services, Inc., with covenants relating to additional debt; consolidation, merger, sale or disposition of property; and senior liens.

Structure: The Bonds will be a direct purchase by DNT Asset Trust, an affiliate of JPMorgan Chase Bank, N.A.

Interest Rate: The Borrower will enter into a Total Return Swap at closing. The Bonds will be issued as fixed rate bonds directly placed with JP Morgan and then swapped to a variable rate mode which floats at a % of SIFMA and a spread.

Interest Mode: Term Rate Mode

Credit Enhancement: None

Credit Rating: Hospital Sisters Services, Inc. has current ratings of “AA-”/ “AA-” (by Fitch/S&P).

Maturity: Not later than 2047

Estimated Closing Date: December 22, 2017

PROJECT SUMMARY

Bond proceeds will be loaned to **Hospital Sisters Services, Inc.** (“**HSSI**” or the “**Corporation**”) to (i) currently refund all or a portion of the outstanding principal amount of the \$120,415,000 Maximum Principal Amount Illinois Finance Authority Revenue Bonds, Series 2012A (Hospital Sisters Services, Inc. – Obligated Group) (the “**Series 2012A Bonds**”); (ii) currently refund all or a portion of the outstanding principal amount of the \$31,645,000 Illinois Finance Authority Revenue Refunding Bonds, Series 2012G (Hospital Sisters Services, Inc. – Obligated Group) (the “**Series 2012G Bonds**”); (iii) currently refund all or a portion of the outstanding principal amount of the \$65,885,000 Illinois Finance Authority Revenue Refunding Bonds, Series 2012H (Hospital Sisters Services, Inc. – Obligated Group) (the “**Series 2012H Bonds**”); (iv) currently refund all or a portion of the outstanding principal amount of the \$89,460,000 Illinois Finance Authority Revenue Refunding Bonds, Series 2012I (Hospital Sisters Services, Inc. – Obligated Group) (the “**Series 2012I Bonds**”); (v) currently refund all or a portion of the outstanding principal amount of the \$75,000,000 Southwestern Illinois Development Authority Revenue Bonds, Series 2016 (Hospital Sisters Services, Inc. – Obligated Group) (the “**Series 2016 Bonds**”); (vi) currently refund all or a portion of the outstanding principal amount of the \$64,870,000 Southwestern Illinois Development Authority Revenue Bonds, Series 2017B (Hospital Sisters Services, Inc. – Obligated Group) (the “**Series 2017B Bonds**” and, together with the Series 2012A Bonds, the Series 2012G Bonds, the Series 2012H Bonds, the Series 2012I Bonds and Series 2016 Bonds, the “**Prior Bonds**”); (vii) pay or reimburse the Corporation or St. Elizabeth’s Hospital of the Hospital Sisters of the Third Order of St. Francis (“**St. Elizabeth’s**”), St. Joseph’s Hospital, Breese, of the Hospital Sisters of the Third Order of St. Francis (“**St. Joseph’s Breese**”), St. Mary’s Hospital, Decatur, of the Hospital Sisters of the Third Order of St. Francis (“**St. Mary’s Decatur**”), St. Anthony’s Memorial Hospital of the Hospital Sisters of the Third Order of St. Francis (“**St. Anthony’s**”), St. Joseph’s Hospital of the Hospital Sisters of the Third Order of St. Francis (“**St. Joseph’s Highland**”), St. Francis Hospital of the Hospital Sisters of the Third Order of St. Francis (“**St. Francis**”), St. John’s Hospital of the Hospital Sisters of the Third Order of St. Francis (“**St. John’s**”), St. Mary’s Hospital, Streator, of the Hospital Sisters of the Third Order of St. Francis (“**St. Mary’s Streator**”), HSHS Good Shepherd Hospital, Inc. (“**Good Shepherd**”) and HSHS Holy Family Hospital, Inc. (“**Holy Family**” and, together with St. Elizabeth’s, St. Joseph’s Breese, St. Mary’s Decatur, St. Anthony’s, St. Joseph’s Highland, St. Francis, St. John’s, St. Mary’s Streator and Good Shepherd, the “**Illinois Users**”), each an Illinois not for profit corporation, and St. Joseph’s Hospital of the Hospital Sisters of the Third Order of St. Francis (“**St. Joseph’s**”), Sacred Heart Hospital of the Hospital Sisters of the Third Order of St. Francis (“**Sacred Heart**”), St. Mary’s Hospital Medical Center of Green Bay, Inc. (“**St. Mary’s**”), St. Vincent Hospital of the Hospital Sisters of the Third Order of St. Francis (“**St. Vincent**”), St. Nicholas Hospital of the Hospital Sisters of the Third Order of St. Francis (“**St. Nicholas**”) and St. Clare Memorial Hospital, Inc. (“**St. Clare**” and, together with St. Joseph’s, Sacred Heart, St. Mary’s, St. Vincent and St. Nicholas, the “**Wisconsin Users**” and, together with the Illinois Users, the “**Users**”) for the costs of acquiring, constructing, renovating, remodeling and equipping certain health facilities of the Corporation and the Users; (viii) pay a portion of the interest accruing on the Bonds, if deemed necessary or advisable by the applicable Authority and the Corporation; (ix) fund working capital, if deemed necessary or advisable by the applicable Authority and the Corporation; and (x) pay certain expenses incurred in connection with the issuance of the Bonds and the current refunding of the Prior Bonds.

In addition, the Corporation has requested that the Authority enter into certain amendments to the bond documents for the Prior Bonds previously issued by the Authority in order to provide additional flexibility in converting to

different interest rate modes in the future. Such amendments may constitute a reissuance for federal income tax purposes.

BUSINESS SUMMARY

Background: Hospital Sisters Services, Inc. (HSSI), an Illinois not for profit corporation, was incorporated on November 4, 1983, when the Hospital Sisters Health System (HSHS), an Illinois not for profit corporation, reorganized its corporate structure. HSSI is the sole member of thirteen not for profit or nonprofit corporations that own and operate acute care hospitals, eight located in Illinois and five located in Wisconsin. Each hospital is separately incorporated and has a seven to nine member Board of Directors, composed of members of the Hospital Sisters of the Third Order of St. Francis (the Order), an order of the Roman Catholic Church, HSHS employees and local citizens. The hospitals located in Illinois currently are licensed to operate 2,372 acute care beds, and the hospitals located in Wisconsin currently are approved for 1,451 acute care beds. HSSI and all of the hospitals are Members of the Obligated Group established under the Master Indenture (see service area on page 3 for listing of individual hospitals).

The Order was founded in Germany in 1844 and is dedicated to the service of the sick and those in need. In 1875, twenty Sisters of the Order arrived in the United States and several years later established their Motherhouse in Springfield, Illinois. The residents of Illinois and Wisconsin were among the first served by the Order.

Description: The primary mission of Hospital Sisters Health System is to provide a structure and the means whereby the Hospital Sisters of the Third Order of St. Francis continue their healing mission in the Roman Catholic Church. Hospitals and other institutionally-based programs are the primary means of responding to those in need. Service is regarded as a ministry of healing which exemplifies the Gospel values of compassion, justice, and reverence for life throughout its continuum.

ECONOMIC DISCLOSURE STATEMENT

Applicant: Hospital Sisters Services, Inc.
Site Address: 4936 Laverna Road, Springfield, IL 62707
Contact: Mary Starmann-Harrison, President and CEO
Michael W. Cottrell, Chief Financial Officer
Website: www.hshs.org
Project Name: Hospital Sisters Services, Inc.
Organization: 501(c)(3) Not-For-Profit organization
State: Illinois

Board of Directors:

Mr. Stephen J. Bochenek.....Chairperson
Sister Gertrude O'Connor, OSFSecretary
Mary Starmann-Harrison..... President/CEO
Mr. Matthew Lambert, MD..... Member
Sister Christa Ann Struewing, OSF..... Member
William H. Blum..... Member
William Murray..... Vice Chairperson
Mr. Robert Atwell.....Member
Ms. Janet Wiegmann, Ph.D, R.N..... Member
Mr. John Sheehan.....Member
Mr. William S. Lyke.....Member

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Dentons US, LLP	Chicago	Mary Wilson
Bond Counsel:	Chapman and Cutler, LLP	Chicago	Megan Rudd
Bank:	JPMorgan Chase Bank, N.A.	Chicago	Meghan O'Keefe
Bank's Counsel:	Chapman and Cutler LLP	New York, NY	Bill Gray
Obligated Group FA:	Ponder & Co.	Evergreen, CO	Chris Payne
IFA Counsel:	Miller, Hall, and Triggs, LLC	Peoria	Richard Joseph
IFA Financial Advisor:	Sycamore Advisors LLC	Chicago	Olyvia Jarmoszka

LEGISLATIVE DISTRICTS

Congressional:	12, 13, 15
State Senate:	48, 51, 54, 57
State House:	95, 96, 102, 107, 108, 114

SERVICE AREA

Service Area: The Hospital Facilities in Illinois have as their primary market service area St. Clair County (St. Elizabeth's-O'Fallon), Clinton County (St. Joseph's-Breese), Macon County (St. Mary's-Decatur), Effingham County (St. Anthony's-Effingham), Bond County (Holy Family-Greenville), Madison County (St. Joseph's-Highland), Montgomery and Macoupin Counties (St. Francis-Litchfield), Sangamon County (St. John's-Springfield), and Shelby County (Good Shepherd-Shelbyville). As of June 30, 2017, these Hospital Facilities, (St. Mary's-Decatur, St. John's-Springfield and St. Francis-Litchfield) had (according to information received from the Illinois Health Care Compdata, DataBay 2017) market share of 33.0% for their primary service areas.

The Hospital Facilities in Wisconsin have as their primary market service area Barron, Chippewa, Dunn and Eau Claire Counties (St. Joseph's-Chippewa Falls and Sacred Heart-Eau Claire), Brown County (St. Mary's-Green Bay and St. Vincent-Green Bay), Oconto County (St. Clare-Oconto Falls) and Sheboygan County (St. Nicholas-Sheboygan). As of June 30, 2017, St. Vincent-Green Bay and St. Mary's-Green Bay had (according to information received from WHA, DataBay 2017) 38.3% market share.

See map attached as Exhibit A

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK]

Exhibit A

