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Strategic alliance with MWE China Law Offices (Shanghai)

Clare E. Connor
Attorney at Law
cconnor@mwe.com
+1 312 984 3365

September 14, 2017

VIA FEDEX

Ms. Courtney Avery
Administrator
Illinois Health Facilities & Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

RECEIVED

SEP 15 2017

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Re: Presence United Samaritan Medical Center and Presence Covenant Medical Center –
Change of Ownership to OSF Healthcare System

Dear Ms. Avery:

Enclosed are applications for exemptions for changes of ownership regarding the above-referenced hospitals, and checks for the applicable respective filing fees.

Should you have any questions or comments, do not hesitate to contact me.

Thank you.

Very truly yours,


Clare E. Connor

CCR/amm

cc: Mark Hohulin
Michael Henderson
Jeannie Carmadelle-Frey

DM_US 83173223-1.052942.0429

E-045-17

ORIGINAL

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR EXEMPTION PERMIT**

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

RECEIVED

This Section must be completed for all projects.

SEP 15 2017

Facility/Project Identification

Facility Name: Presence United Samaritans Medical Center – Change of Ownership	HEALTH FACILITIES & SERVICES REVIEW BOARD
Street Address: 812 North Logan Street	
City and Zip Code: Danville 61832	
County: Vermillion	Health Service Area 4 Health Planning Area: D-03

Applicant(s) [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name: Presence Health Network
Street Address: 200 S. Wacker Drive, 11 th Floor
City and Zip Code: Chicago 60606
Name of Registered Agent: Kathleen Cronin
Registered Agent Street Address: 18927 Hickory Creek Drive
Registered Agent City and Zip Code: Mokena 60448
Name of Chief Executive Officer: Michael Englehart
CEO Street Address: 200 S. Wacker Drive, 11 th Floor
CEO City and Zip Code: Chicago 60606
CEO Telephone Number: 312-308-3291

Type of Ownership of Applicants

☒ Non-profit Corporation	☐ Partnership	
☐ For-profit Corporation	☐ Governmental	
☐ Limited Liability Company	☐ Sole Proprietorship	☐ Other

☐ Corporations and limited liability companies must provide an Illinois **certificate of good standing**.
☐ Partnerships must provide the name of the state in which they are organized and the name and address of each partner specifying whether each is a general or limited partner.

APPEND DOCUMENTATION AS ATTACHMENT 1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Primary Contact [Person to receive ALL correspondence or inquiries]

Name: Clare E. Connor
Title: Partner
Company Name: McDermott, Will & Emery LLP
Address: 444 W. Lake Street, Suite 4000 Chicago, IL 60606
Telephone Number: 312-984-3365
E-mail Address: cconnor@mwe.com
Fax Number: 312-984-7700

Additional Contact [Person who is also authorized to discuss the application for exemption permit]

Name: Jeannie Carmedelle Frey
Title: Chief Legal Officer and Secretary
Company Name: Presence Health Network
Address: 200 S. Wacker Drive, 11 th Floor Chicago, IL 60606
Telephone Number: 312-308-3291
E-mail Address: JFrey@presencehealth.org
Fax Number: 312-308-3397

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR EXEMPTION PERMIT**

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name: Presence United Samaritans Medical Center – Change of Ownership		
Street Address: 812 North Logan Street		
City and Zip Code: Danville 61832		
County: Vermillion	Health Service Area 4	Health Planning Area: D-03

Applicant(s) [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name: Presence Central and Suburban Hospitals Network		
Street Address: 200 S. Wacker Drive, 11 th Floor		
City and Zip Code: Chicago 60606		
Name of Registered Agent: Kathleen Cronin		
Registered Agent Street Address: 18927 Hickory Creek Drive		
Registered Agent City and Zip Code: Mokena 60448		
Name of Chief Executive Officer: Ann Errichetti, M.D.		
CEO Street Address: 200 S. Wacker Drive, 11 th Floor		
CEO City and Zip Code: Chicago 60606		
CEO Telephone Number: 312-308-3291		

Type of Ownership of Applicants

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☐ For-profit Corporation	☐ Governmental	
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Additional Contact [Person who is also authorized to discuss the application for exemption permit]

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Title: Secretary
Company Name: Presence Central and Suburban Hospitals Network
Address: 200 S. Wacker Drive, 11 th Floor Chicago, IL 60606
Telephone Number: 312-308-3291
E-mail Address: JFrey@presencehealth.org
Fax Number: 312-308-3397

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR EXEMPTION PERMIT**

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name: Presence United Samaritans Medical Center – Change of Ownership		
Street Address: 812 North Logan Street		
City and Zip Code: Danville 61832		
County: Vermillion	Health Service Area 4	Health Planning Area: D-03

Applicant(s) [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name: OSF Healthcare System		
Street Address: 800 N.E. Glen Oak Avenue		
City and Zip Code: Peoria 61603		
Name of Registered Agent: Sister Theresa Ann Brazeau, OSF		
Registered Agent Street Address: 1175 Saint Francis Lane		
Registered Agent City and Zip Code: East Peoria 61611		
Name of Chief Executive Officer: Kevin Schoeplein		
CEO Street Address: 800 N.E. Glen Oak Avenue		
CEO City and Zip Code: Peoria 61603		
CEO Telephone Number: 309-655-2850		

Type of Ownership of Applicants

☒ Non-profit Corporation	☐ Partnership
☐ For-profit Corporation	☐ Governmental
☐ Limited Liability Company	☐ Sole Proprietorship
☐ Other	
○ Corporations and limited liability companies must provide an Illinois certificate of good standing. ○ Partnerships must provide the name of the state in which they are organized and the name and address of each partner specifying whether each is a general or limited partner.	
APPEND DOCUMENTATION AS ATTACHMENT 1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM	

Primary Contact [Person to receive ALL correspondence or inquiries]

Name: Mark Hohulin
Title: Senior Vice President, Healthcare Analytics
Company Name: OSF Healthcare System
Address: 800 N.E. Glen Oak Avenue Peoria, IL 61603
Telephone Number: 309-308-9656
E-mail Address: mark.e.hohulin@osfhealthcare.org
Fax Number: 309-308-0530

Additional Contact [Person who is also authorized to discuss the application for exemption permit]

Name: Michael Henderson
Title: Corporate Counsel
Company Name: OSF Healthcare System
Address: 530 N.E. Glen Oak Avenue Peoria, IL 61637
Telephone Number: 309-655-2402
E-mail Address: michael.b.henderson@osfhealthcare.org
Fax Number: 309-655-2347

Additional Contact [Person who is also authorized to discuss the application for exemption permit]

Name: Clare E. Connor

Title: Partner

Company Name: McDermott Will & Emery LLP

Address: 444 W. Lake Street, Suite 4000 Chicago, IL 60606

Telephone Number: 312-984-3365

E-mail Address: cconnor@mwe.com

Fax Number: 312-984-7700

Post Exemption Permit Contact

[Person to receive all correspondence subsequent to permit issuance-**THIS PERSON MUST BE EMPLOYED BY THE LICENSED HEALTH CARE FACILITY AS DEFINED AT 20 ILCS 3960**]

Name: Mark Hohulin

Title: Senior Vice President, Healthcare Analytics

Company Name: OSF Healthcare System

Address: 800 N.E. Glen Oak Avenue Peoria, IL 61603

Telephone Number: 309-308-9656

E-mail Address: mark.e.hohulin@osfhealthcare.org

Fax Number: 309-308-0530

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Presence Central and Suburban Hospitals Network

Address of Site Owner: 812 North Logan Street Danville 61832

Street Address or Legal Description of the Site: 812 North Logan Street Danville 61832

Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease.

APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

[Provide this information for each applicable facility and insert after this page.]

Exact Legal Name: Presence Central and Suburban Hospitals Network d/b/a Presence United Samaritans Medical Center

Address: 812 North Logan Street Danville 61832

- | | |
|--|---|
| ☒ Non-profit Corporation | ☐ Partnership |
| ☐ For-profit Corporation | ☐ Governmental |
| ☐ Limited Liability Company | ☐ Sole Proprietorship ☐ Other |

- Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.
- Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.
- **Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.**

APPEND DOCUMENTATION AS ATTACHMENT 3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Organizational Relationships

Provide (for each applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.

APPEND DOCUMENTATION AS ATTACHMENT 4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Flood Plain Requirements N/A

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2006-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements, please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at www.FEMA.gov or www.illinoisfloodmaps.org. **This map must be in a readable format.** In addition, please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2006-5 ([http:// www.illinois.gov/sites/hfsrb](http://www.illinois.gov/sites/hfsrb)).

APPEND DOCUMENTATION AS ATTACHMENT 5, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Historic Resources Preservation Act Requirements N/A

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.

APPEND DOCUMENTATION AS ATTACHMENT 6, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

DESCRIPTION OF PROJECT

1. Project Classification

[Check those applicable - refer to Part 1110.40 and Part 1120.20(b)]

Part 1110 Classification:

- ☒ Change of Ownership
- ☐ Discontinuation of an Existing Health Care Facility or of a category of service
- ☐ Establishment or expansion of a neonatal intensive care or beds

2. Narrative Description

In the space below, provide a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms**, **NOT WHY** it is being done. If the project site does **NOT** have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

Presence Health Network and Presence Central and Suburban Hospitals Network (collectively "Presence") have agreed to sell to OSF Healthcare System ("OSF") its acute care hospitals located in Danville and Urbana, Illinois (Presence United Samaritans Medical Center and Presence Covenant Medical Center, respectively, hereafter the "Facilities"), as well as associated ambulatory, non-hospital practice sites in Danville and Urbana. The structure of the transaction is an Asset Purchase, with assets to be acquired by OSF including all real and personal property related to the hospitals and practice sites (all such hospitals and practice sites collectively referred to as the "Assets").

Subject to all regulatory approvals, OSF will purchase the Assets at a total purchase price of \$185 million minus a calculation for net working capital. Solely for the submission of this (these) COE(s) and not for any other purpose, the allocation of the purchase price for United Samaritans Medical Center is \$74,000,000.00 and for Covenant Medical Center is \$111,000,000.00. This allocation was determined by OSF in part by a multiple of operating revenue.

OSF will consider and make offers of employment to those employees of Presence who are affected by the transaction, provided they are eligible for employment under OSF's standard human resource policies and practices. Employees of Presence who accept offers of employment with OSF will receive credit for service with Presence under OSF's paid time off and certain other employee benefit arrangements. The respective medical staffs of the hospitals will continue to remain in place.

Following OSF's acquisition, the Assets will continue to be operated (as in the past) in accordance with the teachings of the Roman Catholic Church and all applicable federal and state laws and regulations. Operational standards and excellence in patient care at the Facilities will be consistent with OSF's ten (10) other acute care facilities in Illinois, all of which are in good standing with this Board and the Illinois Department of Public Health. The license will change for both Facilities, as OSF Healthcare System will become the licensee versus Presence. OSF intends to re-name the Facilities in accordance with its internal process, with such names to be announced at a later date. OSF has agreed to continue operation of the Facilities for a period of at least eight (8) years following the closing of the transaction, unless at any time after five (5) years OSF determines reasonably that market or industry conditions have occurred that impact OSF's ability to operate the Facilities without undue risk. OSF will establish one or more community boards for each Facility, to ensure continued local community input regarding services provided by the Facilities. OSF will also implement its standard charity care policies at each Facility following the acquisition, and which are at least as generous as those in effect currently under Presence.

The parties anticipate completing the transaction on or around February 1, 2018. The Illinois Health Facilities & Services Review Board will be notified within thirty days of the change of ownership occurring.

Project Costs and Sources of Funds (Neonatal Intensive Care Services only)

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must be equal.

Project Costs and Sources of Funds			
USE OF FUNOS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	N/A	N/A	N/A
Site Survey and Soil Investigation	N/A	N/A	N/A
Site Preparation	N/A	N/A	N/A
Off Site Work	N/A	N/A	N/A
New Construction Contracts	N/A	N/A	N/A
Modernization Contracts	N/A	N/A	N/A
Contingencies	N/A	N/A	N/A
Architectural/Engineering Fees	N/A	N/A	N/A
Consulting and Other Fees	N/A	N/A	N/A
Movable or Other Equipment (not in construction contracts)	N/A	N/A	N/A
Bond Issuance Expense (project related)	N/A	N/A	N/A
Net Interest Expense During Construction (project related)	N/A	N/A	N/A
Fair Market Value of Leased Space or Equipment	N/A	N/A	N/A
Other Costs To Be Capitalized	N/A	N/A	N/A
Acquisition of Building or Other Property (excluding land)	N/A	N/A	N/A
TOTAL USES OF FUNOS	N/A	N/A	N/A
SOURCE OF FUNOS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	N/A	N/A	\$N/A
Pledges	N/A	N/A	N/A
Gifts and Bequests	N/A	N/A	N/A
Bond Issues (project related)	N/A	N/A	N/A
Mortgages	N/A	N/A	N/A
Leases (fair market value)	N/A	N/A	N/A
Governmental Appropriations	N/A	N/A	N/A
Grants	N/A	N/A	N/A
Other Funds and Sources	N/A	N/A	N/A
TOTAL SOURCES OF FUNOS	N/A	N/A	N/A

NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM

Related Project Costs

Provide the following information, as applicable, with respect to any land related to the project that will be or has been acquired during the last two calendar years:

Land acquisition is related to project ☒ Yes ☐ No
Purchase Price: \$74,000,000.00 (combined land and facility price; land was not separately valued)
Fair Market Value: \$ As above

The project involves the establishment of a new facility or a new category of service

☐ Yes ☒ No

If yes, provide the dollar amount of all **non-capitalized** operating start-up costs (including operating deficits through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.

Estimated start-up costs and operating deficit cost is \$ N/A

Project Status and Completion Schedules

For facilities in which prior permits have been issued please provide the permit numbers.

Indicate the stage of the project's architectural drawings:

☒ None or not applicable

☐ Preliminary

☐ Schematics

☐ Final Working

Anticipated project completion date (refer to Part 1130.140): Anticipated on or around 02/01/18

Indicate the following with respect to project expenditures or to financial commitments (refer to Part 1130.140): N/A

- ☐ Purchase orders, leases or contracts pertaining to the project have been executed. ☐ Financial commitment is contingent upon permit issuance. Provide a copy of the contingent "certification of financial commitment" document, highlighting any language related to CON Contingencies
- ☐ Financial Commitment will occur after permit issuance.

APPEND DOCUMENTATION AS ATTACHMENT 8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

State Agency Submittals [Section 1130.620(c)]

Are the following submittals up to date as applicable:

☒ Cancer Registry

☒ APORS

☒ All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted

☒ All reports regarding outstanding permits

Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

CERTIFICATION

The Application must be signed by the authorized representatives of the applicant entity. Authorized representatives are:

- o in the case of a corporation, any two of its officers or members of its Board of Directors;
- o in the case of a limited liability company, any two of its managers or members (or the sole manager or member when two or more managers or members do not exist);
- o in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.

This Application is filed on the behalf of Presence Health Network *
in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this Application on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the fee required for this application is sent herewith or will be paid upon request.

Michael Englehart
SIGNATURE

Michael Englehart
PRINTED NAME

Chief Executive Officer
PRINTED TITLE

Jeannie C. Frey
SIGNATURE

Jeannie Carmedelle Frey
PRINTED NAME

Chief Legal Officer & Secretary
PRINTED TITLE

Notarization:

Subscribed and sworn to before me
this 13 day of September, 2017

Notarization:

Subscribed and sworn to before me
this 13th day of September, 2017

Kimberly A. Rellinger
Signature of Notary

Seal
OFFICIAL SEAL
KIMBERLY A. RELINGER
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 04/05/18
*Insert the EXCOMMISSION EXPIRES 04/05/18

Lori B. Brinker
Signature of Notary

Seal
OFFICIAL SEAL
LORI B BRINKER
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES 04/05/18

CERTIFICATION

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- o in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.

This Application is filed on the behalf of Presence Central and Suburban Hospitals Network * in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this Application on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the fee required for this application is sent herewith or will be paid upon request.

James Kelley
SIGNATURE
James Kelley
PRINTED NAME
Treasurer
PRINTED TITLE

Jeannie C. Frey
SIGNATURE
Jeannie Carmedelle Frey
PRINTED NAME
Secretary
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 13th day of September, 2011

Notarization:
Subscribed and sworn to before me
this 13th day of September, 2011

Lori B. Brinker
Signature of Notary
Seal
OFFICIAL SEAL
LORI B BRINKER
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES: 04/05/18

Lori B. Brinker
Signature of Notary
Seal
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LORI B BRINKER
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES: 04/05/18

*Insert the EXACT legal name of the applicant

CERTIFICATION

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- o in the case of a limited liability company, any two of its managers or members (or the sole manager or member when two or more managers or members do not exist);
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- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.

This Application is filed on the behalf of OSF Healthcare System *
in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this Application on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the fee required for this application is sent herewith or will be paid upon request.

K. D. Schoepfle
SIGNATURE

Kevin Schoepfle
PRINTED NAME

Chief Executive Officer
PRINTED TITLE

Robert C. Sehning
SIGNATURE

Robert Sehning
PRINTED NAME

Chief Operating Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 31st day of August 2017

Tonda L. Stewart
Signature of Notary

Seal

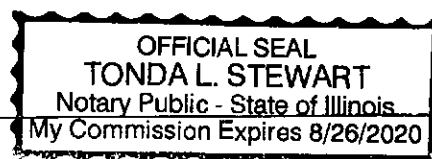


*Insert the name of the applicant

Notarization:
Subscribed and sworn to before me
this 31st day of August 2017

Tonda L. Stewart
Signature of Notary

Seal



SECTION III. BACKGROUND, PURPOSE OF THE PROJECT, AND ALTERNATIVES **- INFORMATION REQUIREMENTS**

This Section is applicable to all projects except those that are solely for discontinuation with no project costs.

Background

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.
3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**
4. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest that the information was previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS ATTACHMENT 11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

Criterion 1110.230 – Purpose of the Project, and Alternatives (Not applicable to Change of Ownership)

PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other relevant area, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.
4. Cite the sources of the documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals **as appropriate**.

For projects involving modernization, describe the conditions being upgraded, if any. For facility projects, include statements of the age and condition of the project site, as well as regulatory citations, if any. For equipment being replaced, include repair and maintenance records.

NOTE: Information regarding the "Purpose of the Project" will be included in the State Board Report.
APPEND DOCUMENTATION AS ATTACHMENT 12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-6) MUST BE IDENTIFIED IN ATTACHMENT 12.

ALTERNATIVES

- 1) Identify **ALL** of the alternatives to the proposed project:

Alternative options **must** include:

- A) Proposing a project of greater or lesser scope and cost;
 - B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;
 - C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and
 - D) Provide the reasons why the chosen alternative was selected.
- 2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short-term (within one to three years after project completion) and long-term. This may vary by project or situation. **FOR EVERY ALTERNATIVE IDENTIFIED, THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**
 - 3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

APPEND DOCUMENTATION AS ATTACHMENT 13, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION V. CHANGE OF OWNERSHIP (CHOW)

1130.520 Requirements for Exemptions Involving the Change of Ownership of a Health Care Facility

1. Prior to acquiring or entering into a contract to acquire an existing health care facility, a person shall submit an application for exemption to HFSRB, submit the required application-processing fee (see Section 1130.230) and receive approval from HFSRB.
2. If the transaction is not completed according to the key terms submitted in the exemption application, a new application is required.
3. READ the applicable review criteria outlined below and **submit the required documentation (key terms) for the criteria:**

APPLICABLE REVIEW CRITERIA	CHOW
1130.520(b)(1)(A) - Names of the parties	X
1130.520(b)(1)(B) - Background of the parties, which shall include proof that the applicant is fit, willing, able, and has the qualifications, background and character to adequately provide a proper standard of health service for the community by certifying that no adverse action has been taken against the applicant by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application.	X
1130.520(b)(1)(C) - Structure of the transaction	X
1130.520(b)(1)(D) - Name of the person who will be licensed or certified entity after the transaction	
1130.520(b)(1)(E) - List of the ownership or membership interests in such licensed or certified entity both prior to and after the transaction, including a description of the applicant's organizational structure with a listing of controlling or subsidiary persons.	X
1130.520(b)(1)(F) - Fair market value of assets to be transferred.	X
1130.520(b)(1)(G) - The purchase price or other forms of consideration to be provided for those assets. [20 ILCS 3960/8.5(a)]	X
1130.520(b)(2) - Affirmation that any projects for which permits have been issued have been completed or will be completed or altered in accordance with the provisions of this Section	X
1130.520(b)(2) - If the ownership change is for a hospital, affirmation that the facility will not adopt a more restrictive charity care policy than the policy that was in effect one year prior to the transaction. The hospital must provide affirmation that the compliant charity care policy will remain in effect for a two-year period following the change of ownership transaction	X
1130.520(b)(2) - A statement as to the anticipated benefits of the proposed changes in ownership to the community	X

1130.520(b)(2) - The anticipated or potential cost savings, if any, that will result for the community and the facility because of the change in ownership;	X
1130.520(b)(2) - A description of the facility's quality improvement program mechanism that will be utilized to assure quality control;	X
1130.520(b)(2) - A description of the selection process that the acquiring entity will use to select the facility's governing body;	X
1130.520(b)(2) - A statement that the applicant has prepared a written response addressing the review criteria contained in 77 Ill. Adm. Code 1110.240 and that the response is available for public review on the premises of the health care facility	X
1130.520(b)(2)- A description or summary of any proposed changes to the scope of services or levels of care currently provided at the facility that are anticipated to occur within 24 months after acquisition.	X

Application for Change of Ownership Among Related Persons

When a change of ownership is among related persons, and there are no other changes being proposed at the health care facility that would otherwise require a permit or exemption under the Act, the applicant shall submit an application consisting of a standard notice in a form set forth by the Board briefly explaining the reasons for the proposed change of ownership. [20 ILCS 3960/8.5(a)]

APPEND DOCUMENTATION AS ATTACHMENT 15, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VII. 1120.130 - FINANCIAL VIABILITY - NOT APPLICABLE

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:

1. "A" Bond rating or better
2. All of the projects capital expenditures are completely funded through internal sources
3. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
4. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT 17, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which **audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion.** When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

	Historical 3 Years			Projected
Enter Historical and/or Projected Years:				
Current Ratio				
Net Margin Percentage				
Percent Debt to Total Capitalization				
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

2. Variance

Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

APPEND DOCUMENTATION AS ATTACHMENT 18, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION X. CHARITY CARE INFORMATION (CHOW ONLY)

Charity Care information **MUST** be furnished for **ALL** projects [1120.20(c)].

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **audited** fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.
2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.
3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer (20 ILCS 3960/3). Charity Care **must** be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 41.

CHARITY CARE			
	Year	Year	Year
Net Patient Revenue			
Amount of Charity Care (charges)			
Cost of Charity Care			

APPEND DOCUMENTATION AS ATTACHMENT 21, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM

After paginating the entire completed application indicate, in the chart below, the page numbers for the included attachments:

INDEX OF ATTACHMENTS		
ATTACHMENT NO.		PAGES
1	Applicant Identification including Certificate of Good Standing	
2	Site Ownership	
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	
4	Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.	
5	Flood Plain Requirements	
6	Historic Preservation Act Requirements	
7	Project and Sources of Funds Itemization	
8	Financial Commitment Document if required	
9	Cost Space Requirements	
10	Discontinuation	
11	Background of the Applicant	
12	Purpose of the Project	
13	Alternatives to the Project	
	Service Specific:	
14	Neonatal Intensive Care Services	
15	Change of Ownership	
	Financial and Economic Feasibility:	
16	Availability of Funds	
17	Financial Waiver	
18	Financial Viability	
19	Economic Feasibility	
20	Safety Net Impact Statement	
21	Charity Care Information	

**PRESENCE HEALTH NETWORK, PRESENCE CENTRAL AND SUBURBAN HOSPITALS NETWORK
AND OSF HEALTHCARE SYSTEM'S - CERTIFICATES OF GOOD STANDING**

See attached.

ATTACHMENT 1

File Number

0107-414-8



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

OSF HEALTHCARE SYSTEM, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JANUARY 02, 1880, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



Authentication #: 1629302252 verifiable until 10/19/2017
Authenticate at: <http://www.cyberdriveillinois.com>

In Testimony Whereof, I hereto set
my hand and cause to be affixed the Great Seal of
the State of Illinois, this 19TH
day of OCTOBER A.D. 2016 .

Jesse White

SECRETARY OF STATE

ATTACHMENT 1



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

PRESENCE HEALTH NETWORK, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JANUARY 05, 1939, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



In Testimony Whereof, I hereto set

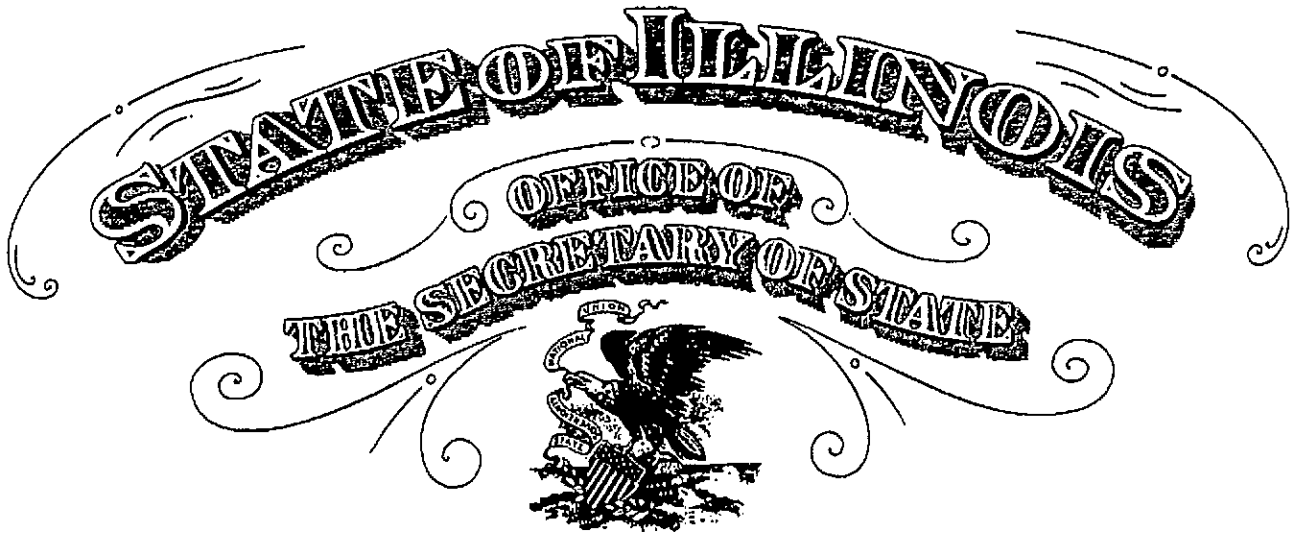
my hand and cause to be affixed the Great Seal of the State of Illinois, this 23RD day of JUNE A.D. 2017 .

Jesse White

SECRETARY OF STATE

File Number

5968-176-1



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

PRESENCE CENTRAL AND SUBURBAN HOSPITALS NETWORK, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 30, 1997, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



In Testimony Whereof, I hereto set
my hand and cause to be affixed the Great Seal of
the State of Illinois, this 23RD
day of JUNE A.D. 2017 .

Jesse White

SECRETARY OF STATE

PROOF OF SITE OWNERSHIP

See Attached

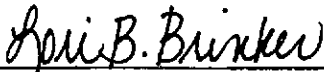
ATTACHMENT 2

Presence United Samaritans Medical Center's site is owned by Presence Central and Suburban Hospitals Network. The site will be conveyed to OSF Healthcare System as part of this proposed change of ownership.



Jeannie Carmedelle Frey
Secretary
Presence Central and Suburban Hospitals Network

Subscribed and sworn to before me
This 13th day of September, 2017



Notary Public

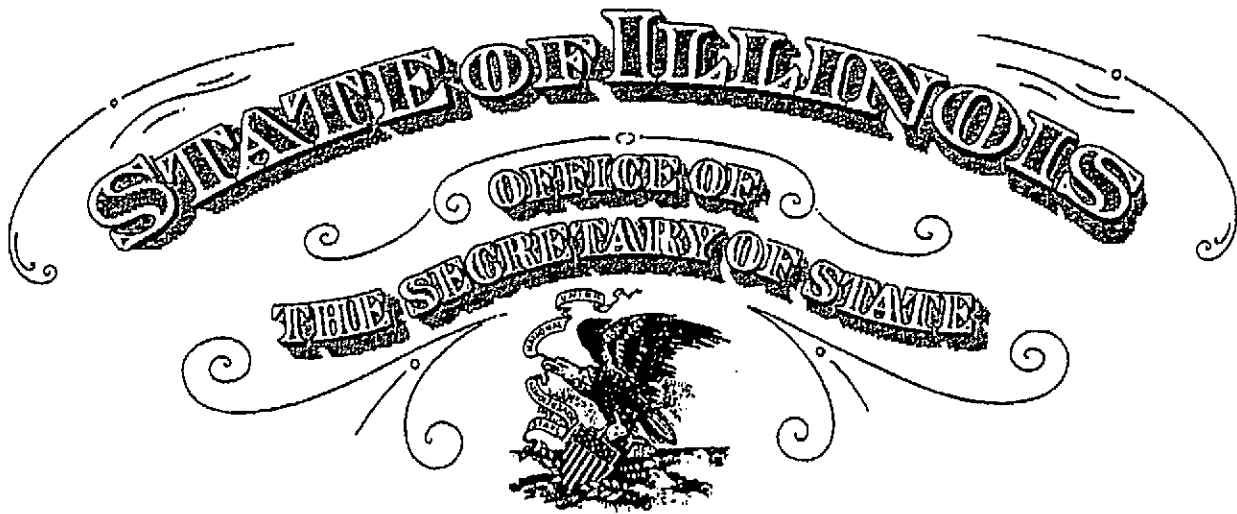


ATTACHMENT 2

OPERATING IDENTITY/LICENSEE - PRESENCE UNITED SAMARITANS MEDICAL CENTER

See attached for Presence Central and Suburban Hospitals Network d/b/a Presence United Samaritans Medical Center.

ATTACHMENT 3



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

PRESENCE CENTRAL AND SUBURBAN HOSPITALS NETWORK, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 30, 1997, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

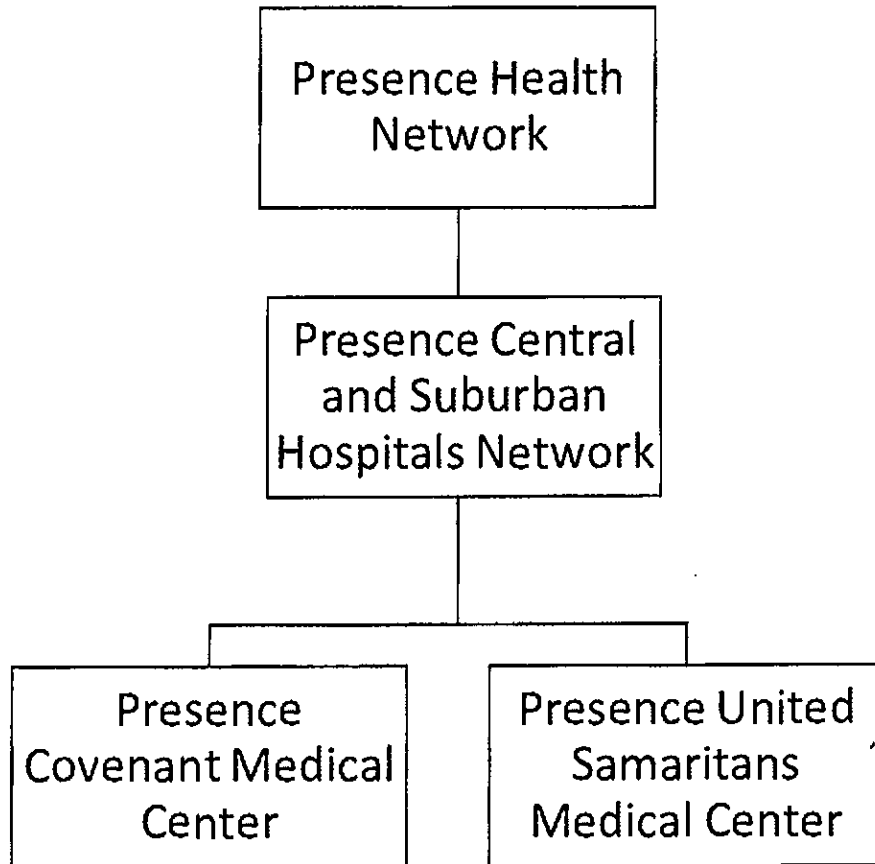


***In Testimony Whereof, I hereto set
my hand and cause to be affixed the Great Seal of
the State of Illinois, this 23RD
day of JUNE A.D. 2017 .***

Jesse White

SECRETARY OF STATE

**PRESENCE HEALTH NETWORK ORGANIZATIONAL CHART
(Pre-CHOW)**



DM_US 82698168-3.052942.0429

Page 26



BACKGROUND OF THE APPLICANT

See attached hospital license and Joint Commission accreditation information



**Illinois Department of
PUBLIC HEALTH**

HF112050

LICENSE PERMIT CERTIFICATION REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

Nirav D. Shah, M.D., J.D.
Director

Issued under the authority of
the Illinois Department of
Public Health

EXPIRATION DATE 12/31/2017	CATEGORY	L.D. NUMBER 0004853
General Hospital		
Effective: 01/01/2017		

**Presence Central and Suburban Hospitals Network
dba Presence United Samaritans Medical Center
812 North Logan Avenue**

Danville, IL 61832

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #4012320 10M 3/12

← **DISPLAY THIS PART IN A
CONSPICUOUS PLACE**

Exp. Date 12/31/2017

Lic Number 0004853

Date Printed 10/26/2016

**Presence Central and Suburban Hospi
dba Presence United Samaritans Medi
812 North Logan Avenue
Danville, IL 61832**

FEE RECEIPT NO.

Presence United Samaritans Medical Center

Danville, IL

has been Accredited by



The Joint Commission

Which has surveyed this organization and found it to meet the requirements for the
Hospital Accreditation Program

June 28, 2014

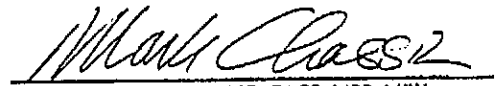
Accreditation is customarily valid for up to 36 months.



Rebecca J. Patchin, MD
Chair, Board of Commissioners

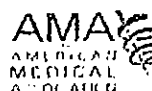
ID #4928

Print Reprint Date 10/01/2014



Mark R. Chassin, MD, FACP, MPP, MPH
President

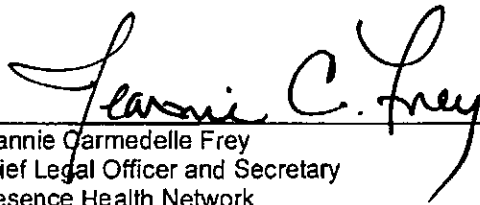
The Joint Commission is an independent, not-for-profit national body that oversees the safety and quality of health care and other services provided in accredited organizations. Information about accredited organizations may be provided directly to The Joint Commission at 1-800-994-6610. Information regarding accreditation and the accreditation performance of individual organizations can be obtained through The Joint Commission's web site at www.jointcommission.org.



BACKGROUND OF THE APPLICANT

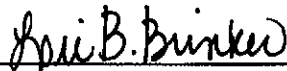
Presence United Samaritans Medical Center does hereby attest no adverse action, as that term is defined in the rules of the Illinois Health Facilities and Services Review Board, has been taken against it in the three (3) years preceding this application.

In addition, It authorizes the HFSRB and IDPH to access information necessary to verify information submitted in this application.



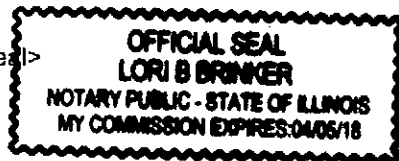
Jeannie Carmedelle Frey
Chief Legal Officer and Secretary
Presence Health Network

Subscribed and sworn to before me
This 13th day of September, 2017.



Notary Public

<Seal>

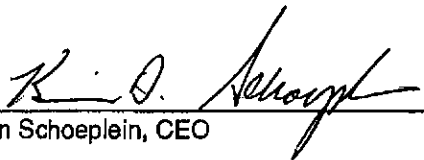


ATTACHMENT 11

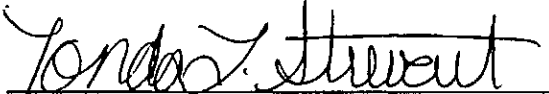
BACKGROUND OF THE APPLICANT

OSF Healthcare System does hereby attest no adverse action, as that term is defined in the rules of the Illinois Health Facilities and Services Review Board, has been taken against it in the three (3) years preceding this application.

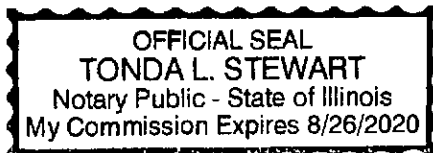
In addition, it authorizes the HFSRB and IDPH to access information necessary to verify information submitted in this application.


Kevin Schoepfle, CEO

Subscribed and sworn to before me
This 3rd day of August, 2017.


Notary Public

<Seal>



ATTACHMENT 11

APPLICABLE REVIEW CRITERIA

1130.520(b)(1)(A) - Names of the parties

The parties to the change of ownership are OSF Healthcare System, Presence Health Network and Presence Central and Suburban Hospitals Network.

1130.520(b)(1)(B) - Background of the parties, which shall include proof that the applicant is fit, willing, able, and has the qualifications, background and character to adequately provide a proper standard of health service for the community by certifying that no adverse action has been taken against the applicant by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application.

See attached certification for OSF Healthcare System, the entity acquiring the assets comprising United Samaritans Medical Center.

1130.520(b)(1)(C) - Structure of the transaction

The structure is an asset acquisition and OSF Healthcare System will own and operate the licensee after the transaction is complete.

1130.520(b)(1)(D) - Name of the person who will be licensed or certified entity after the transaction

OSF Healthcare System will d/b/a United Samaritans Medical Center until such time as it changes the name consistent with its internal facility naming process. A corporate name change will be filed with the Illinois Secretary of State.

1130.520(b)(1)(E) - List of the ownership or membership interests in such licensed or certified entity both prior to and after the transaction, including a description of the applicant's organizational structure with a listing of controlling or subsidiary persons.

For the ownership structure pre and post the transaction, please see attachment 4. OSF Healthcare System will become the 100% owner and operator of United Samaritans Medical Center in Danville, Illinois.

1130.520(b)(1)(F) - Fair market value of assets to be transferred.

\$74,000,000.00 (NOTE: This allocated value is solely for COE purposes. The combined purchase price for both United Samaritans Medical Center and Covenant Medical Center, for which an application for exemption is submitted simultaneously, is \$185,000,000. The two facilities are being acquired together, at the same time, and the changes of ownership are dependent upon each other.)

1130.520(b)(1)(G) - The purchase price or other forms of consideration to be provided for those assets. [20 ILCS 3960/8.5(a)]

\$74,000,000.00 (see above)

1130.520(b)(2) - Affirmation that any projects for which permits have been issued have been completed or will be completed or altered in accordance with the provisions of this Section

Not applicable for United Samaritans Medical Center.

1130.520(b)(2) - If the ownership change is for a hospital, affirmation that the facility will not adopt a more restrictive charity care policy than the policy that was in effect one year prior to the transaction. The hospital must provide affirmation that the compliant charity care policy will remain in effect for a two-year period following the change of ownership transaction

OSF Healthcare System affirms that the charity care policy at United Samaritans Medical Center will not be more restrictive than its current form, and that its current charity care policy will remain in place and/or be less restrictive for a minimum period of two years from the change of ownership.

APPLICABLE REVIEW CRITERIA CONTINUED

1130.520(b)(2) - A statement as to the anticipated benefits of the proposed changes in ownership to the community

The community will benefit from the continued operation of the hospital by OSF Healthcare System, which operates many hospitals in communities similar to Danville, Illinois and by the available capital and resources of OSF Healthcare System.

1130.520(b)(2) - The anticipated or potential cost savings, if any, that will result for the community and the facility because of the change in ownership;

Unknown at this time.

1130.520(b)(2) - A description of the facility's quality improvement program mechanism that will be utilized to assure quality control;

Both Presence Health Network and OSF Health System have extensive and focused quality improvement and monitoring programs, policies and procedures. OSF will maintain, initially, the current QI programs in place, and will review same post change of ownership to align same with OSF's overall system wide quality improvement and monitoring policies, if necessary.

1130.520(b)(2) - A description of the selection process that the acquiring entity will use to select the facility's governing body;

The governing body will be the Board of Directors of OSF Healthcare System is appointed by the Sisters of the Third Order of Saint Francis.

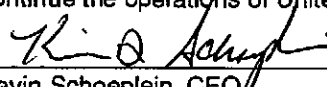
1130.520(b)(2) - A statement that the applicant has prepared a written response addressing the review criteria contained in 77 Ill. Adm. Code 1110.240 and that the response is available for public review on the premises of the health care facility

A description of the transaction has been prepared and is available for public review at the facility.

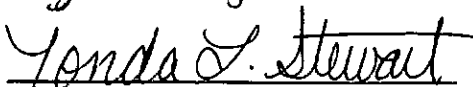
1130.520(b)(2)- A description or summary of any proposed changes to the scope of services or levels of care currently provided at the facility that are anticipated to occur within 24 months after acquisition.

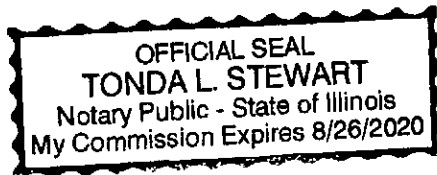
None planned at this time.

OSF Healthcare System ("OSF") certifies it has had no adverse action, as that term is defined by the Illinois Health Facilities and Services Review Board ("Board") rules, taken against it in the past three (3) years. All of its hospitals are in good standing with the Board, Illinois Department of Public Health and Joint Commission. OSF has a bond rating of A or better (see attached), and the financial resources to continue the operations of United Samaritans Medical Center as described in this application.


Kevin Schoepfle, CEO
OSF Health Care System

Subscribed and sworn to before me
This 31st day of AUGUST, 2017


Tonda L. Stewart
Notary Public



ATTACHMENT 15

MOODY'S INVESTORS SERVICE

CREDIT OPINION

6 September 2016

New Issue

[Rate this Research](#) >>

Contacts

Lisa Martin 212-553-1423
Senior Vice President
lisa.martin@moody's.com

Beth L. Wexler 212-553-1384
VP Sr Credit Officer
beth.wexler@moody's.com

OSF Healthcare System, IL

New Issue – Moody's Assigns A2 to OSF Healthcare System's (IL) Ser. 2016; Outlook Stable

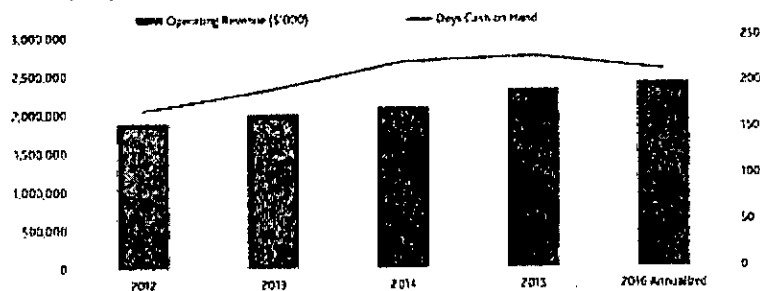
Summary Rating Rationale

Moody's Investors Service assigns an A2 to OSF Healthcare System's \$114 million of proposed Series 2016 fixed rate bonds to be issued by the Illinois Finance Authority. The bonds are expected to mature in 2039. The A2 on approximately \$950 million of outstanding debt is affirmed. The outlook is stable.

The A2 is based on OSF's large presence as a multi-site system in northern, central, and southern Illinois, leading market position in the largest market, and strong and liquid investment position. OSF's challenges include higher-than-average direct leverage, sizable indirect obligations, competition in most markets, and variable operating performance.

Exhibit 1

Good Liquidity During Period of Revenue Growth



Source: Moody's Investors Service

Credit Strengths

- » Large, multi-site system in northern, central, and southern Illinois with close to \$2.5 billion in revenue, supported by investments in physicians and facilities and progressive IT capabilities
- » Leading market position and regional referral draw for OSF's flagship location in Peoria
- » Very good and liquid investment position with 214 days cash on hand at June 30, 2016
- » Manageable debt structure risks with over 300% monthly liquidity-to-demand debt

Credit Challenges

- » Strong competition in largest markets with competitors owned or closely affiliated with larger parent organizations
- » High leverage with relatively high 4.2 times debt-to-cashflow and 49% direct debt-to-revenue and moderate 111% cash-to-direct debt
- » Sizable indirect debt, including operating lease and pension obligations, driving modest 68% cash-to-comprehensive debt
- » History of variable operating cashflow margins, including decline in FY2016 following two years of improvement

Rating Outlook

The stable outlook reflects expectations that OSF's operating and strategic investments will stabilize margins. The outlook incorporates an assumption of no incremental leverage and manageable capital spending levels, which should drive investment growth levels and balance sheet deleveraging.

Factors that Could Lead to an Upgrade

- » Significant reduction in balance sheet leverage, including pension obligation
- » Reduction in operating leverage (debt-to-cashflow and debt-to-revenue)
- » Sustained improvement in operating cashflow margin

Factors that Could Lead to a Downgrade

- » Materially disruptive acquisition or merger
- » Prolonged decline in margins
- » Meaningful increase in leverage

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Key Indicators

Exhibit 2

OSF Healthcare System, IL

	2012	2013	2014	2015	2016 Annual and 9 months
Operating Revenue (\$'000)	1,664,151	1,694,949	2,087,700	2,308,548	2,400,397
3-Year Operating Revenue CAGR (%)	5.5	7.6	5.6	7.0	6.4
Operating Cash Flow Margin (%)	2.8	5.2	6.9	10.0	8.9
FY Medicare (%)	44.6	44.1	45.3	45.7	N/A
9M Medicare (%)	15.4	15.9	16.1	20.0	17.4
Days Cash on Hand	171	134	223	229	214
Unrestricted Cash and Investments to Total Debt (%)	11.7	15.6	14.2	14.9	11.4
Total Debt to Cash Flow (%)	4.2	4.6	3.4	3.6	4.2

Based on OSF Healthcare System and Subsidiaries, audits ended September 30; fiscal year 2016 reflects unaudited nine months ended June 30 or realized.
 Non-recurring items or adjustments: All years exclude gifts and investment income from operating revenue and reclassify net settlement of derivatives to operating expenses; FY15 excludes \$10.6 million of prior period supplemental Medicaid payments.
 Investment returns normalized at 6% prior to FY 2015 and 5% in FY 2015 and beyond.
 Source: Moody's Investors Service

Recent Developments

Recent developments are incorporated into the Detailed Rating Considerations section.

Detailed Rating Considerations

Market Position: Large Multi-Site System Operating in Competitive Markets

Over the last several years, OSF has been consolidating and integrating clinical and support areas to reduce variation, improve quality, and improve productivity and reduce costs. The system's flagship hospital in Peoria has benefitted from significant investments with increased volumes from a broader regional service area and higher acuity. OSF completed the installation of an electronic medical record (EMR) system several years ago, which allows more advanced predictive analysis. The system has invested heavily in care coordinators in most regions to support population health management. These strategies are allowing OSF to take on more shared savings and risk arrangements with payers.

OSF continues to make investments in facilities and physicians to compete in competitive markets. Most of OSF's competitors are owned or closely aligned with large healthcare systems. OSF has maintained a strong leading market position in the Peoria market. The system's second largest market in Rockford is very competitive with two other providers, both of which are part of Wisconsin-based systems that are investing in upgrading facilities. OSF's capital investment in Rockford, discussed below, will enhance its competitive position in the market.

Operating Performance, Balance Sheet and Capital Plans: Variable Margins But Very Good Liquidity

Following two years of improved performance through FY 2015, the system reported a decline nine months year-to-date FY 2016. Adjusted for the items noted below, OSF had a 8.3% operating cashflow margin year-to-date FY 2016, compared with 10% for full FY 2015. Volume growth in 2016 has been strong, driving same-facility revenue growth of 4%. OSF has also benefitted from Medicaid expansion and supplemental payments. The operating decline was primarily due to a large increase in contractual allowances related to prior year revenue following the installation of a new software to estimate receivables collections, increased pharmaceutical costs and a reserve related to estimated losses under the Medicare NextGen ACO payment model. Performance by region is mixed. The Peoria area has been strong due to volume growth, especially in more profitable regional referrals and ambulatory services. Rockford has experienced sizable losses, more recently due to the contractual adjustments noted above. Some of the smaller hospitals experienced losses, including newly acquired Alton.

The system's operating and strategic initiatives should help the system mitigate challenges affecting FY 2016. OSF is in the third year of a 4-year cost reduction program and reports achieving over \$140 million in improvements to date. Major initiatives include reimbursement opportunities, productivity improvement, and supplies.

Capital spending is increasing in FY 2016 but at manageable levels relative to cashflow. Spending is projected at approximately \$190 million and \$170 million in FY 2016 and FY 2017, respectively, averaging 1.6 times depreciation expense, and will be funded with bond proceeds from the Series 2015 offering and cashflow. The largest project is a \$85 million bed pavilion in the Rockford market.

LIQUIDITY

OSF's liquidity is very good with 214 days cash on hand at June 30, 2016. While capital spending is increasing, it is under current operating cashflow levels, which should allow the system at least to maintain liquidity. OSF maintains a conservative and liquid asset allocation with 72% invested in cash and fixed income at FYE 2015. OSF has been negatively affected by high Medicaid receivables.

Debt Structure and Legal Covenants: High Direct and Indirect Leverage

OSF has higher than average balance sheet and operating leverage including a high 4.2 times debt-to-cashflow and moderate 111% cash-to-direct debt based on annualized year-to-date FY 2016 results. Maximum annual debt service coverage is below average at 4.0 times. No incremental leverage is expected at this time.

DEBT STRUCTURE

Debt structure risks are manageable with over 300% monthly liquidity-to-demand debt. Demand debt, including bank provided letters of credit and private placements, are diversified among banks and commitment periods. OSF has ample room under financial covenants, which include 1.1 times debt service coverage and 75 or 80 days cash on hand, depending on whether covenants apply to banks or insurer.

DEBT-RELATED DERIVATIVES

As of June 30, 2016 OSF is a party to numerous interest rate swap agreements with a total notional amount of \$457 million, including an interest rate lock related to the Series 2016 bonds, which will be terminated in conjunction with the Series 2016 bond issuance. As of June 30, 2016, the cumulative mark to market valuation of the swaps was a negative \$76 million (based on management data). The fixed payer swaps are insured by Assured Guaranty. Collateral posting is not required unless Assured's rating falls below A3 or the equivalent by at least one rating agency; the system has not had to post collateral.

PENSIONS AND OPEB

OSF's pension plan is a Church plan and, therefore, not subject to ERISA requirements. The plan was frozen in March 2011. The system's philosophy has been to fund at pension expense levels. However, compared with other health systems, the pension obligation is large at \$349 million at FYE 2015 (60% funded), despite a decline following a \$50 million contribution last year. Combined with operating leases, cash-to-comprehensive debt is moderate at 68% for fiscal year 2015. In May 2016, litigation was filed challenging OSF's Church plan status. Given uncertainties regarding the outcome of this litigation, the rating does not incorporate any potential funding requirements.

Management and Governance

OSF has been migrating from a holding company model to a consolidated and integrated model, which we view favorably in allowing more effective and timely execution of operating and strategic initiatives. Most recently, the system's physician enterprise was consolidated into one multi-specialty group as of January 2016. The system has a disciplined approach to capital spending which is tied to cashflow generation at the individual hospitals.

Legal Security

Legal security for the bonds is a security interest in the Unrestricted Receivables of the Members of the Obligated Group, which make up most of the system. Members of the Obligated Group include OSF Healthcare System (which includes most system hospitals), Ottawa Regional Hospital & Healthcare Center, Ottawa Regional Hospital Foundation, Saint Anthony's Physician Group (Alton) and the OSF Multi-Specialty Group. Saint Anthony's Physician Group will withdraw from the obligated group since all virtually practitioners and assets have been moved to the OSF Multi-Specialty Group.

Use of Proceeds

Proceeds of the Series 2016 bonds will be primarily used to refund certain maturities of the Series 2010A bonds.

Obligor Profile

OSF Healthcare System operates eleven acute care hospitals and a large multi-specialty physician group. Ten of the system's hospitals are located in Illinois; OSF also owns a small critical access hospital in the Upper Peninsula of Michigan. The System's largest hospital, OSF Saint Francis Medical Center in Peoria, Illinois, is a 609-licensed bed tertiary care teaching center.

Methodology

The principal methodology used in this rating was Not-For-Profit Healthcare Rating Methodology published in November 2015. Please see the Ratings Methodologies page on www.moodys.com for a copy of this methodology.

Ratings

Exhibit B

OSF Healthcare System

Issue	Rating
Revenue Bonds, Series 2016	A2
Rating Type	Underlying LT
Sale Amount	\$113,610,000
Expected Sale Date	09/15/2016
Rating Description	Revenue, Other

Source: Moody's Investors Service

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6 September 2016

OSF Healthcare System, R. New Issue - Moody's Assigns A2 to OSF Healthcare System's (H) Sr. 2016, Outlook Stable

ATTACHMENT 17

CHARITY CARE INFORMATION

PRESENCE UNITED SAMARITANS MEDICAL CENTER¹ CHARITY CARE			
	2014	2015	2016
Net Patient Revenue	\$96,458,405	\$95,462,165	\$94,782,322
Amount of Charity Care (charges)	\$20,308,628	\$18,169,177	\$13,609,530
Cost of Charity Care	\$3,419,973	\$3,247,478	\$2,234,347

1 – Information provided from final numbers filed with Illinois Attorney General and in Form 990

OSF HEALTHCARE SYSTEM CHARITY CARE			
	2014	2015	2016
Net Patient Revenue	1,800,620,959	1,917,020,581	1,970,497,456
Amount of Charity Care (charges)	221,417,876	123,694,713	131,815,716
Cost of Charity Care	45,062,165	24,351,000	25,170,596

ATTACHMENT 21