

12-092

Constantino, Mike

RECEIVED

From: Nancy Paridy [nparidy@ric.org]
Sent: Tuesday, January 15, 2013 10:16 PM
To: Constantino, Mike
Cc: 'Skinner, Honey J.'; 'Jack Axel'
Subject: FW: bonds
Attachments: Letter to IHFSRB 2015.01.15.pdf; IFAletter.pdf

JAN 16 2013

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Dear Mike:

In accord with your further discussions with Honey and Jack, attached please find two additional letters in regard to RIC's proposed bond financing of the new Research Hospital. If you need any further information, please do not hesitate to contact me. Again, on behalf of RIC, we appreciate all of your time and attention to this application. Thanks. Nanc

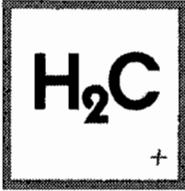
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Rehabilitation Institute of Chicago
#1 Rehabilitation Hospital in America



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January 15, 2013

Illinois Health Facilities & Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, IL 62761

To whom it may concern:

As financial advisor to the Rehabilitation Institute of Chicago ("RIC"), Hammond Hanlon Camp LLC ("H2C") has been asked to provide information regarding the funding of a portion of the proposed Research Hospital with the proceeds of tax-exempt debt. While the plan of finance has not been finalized, the following describes the preliminary plan that RIC is in the process of implementing, which will remain subject to change depending upon market conditions and other factors.

In addition to operations and philanthropy, it is RIC's intent to issue approximately \$250 million of incremental debt to support the construction of the new Research Hospital. The incremental debt will be used to manage the new Research Hospital cash flow requirements and will provide a permanent increase in debt of approximately \$150 million. RIC has begun the financing process and expects to issue tax exempt bonds in 2013. The financing team will include H2C, RIC's financial advisor, as well as J.P. Morgan Securities and Goldman Sachs as underwriters for the bonds. The plan of finance anticipates that RIC's existing \$110 million par amount of variable rate debt will be restructured in order to achieve the most favorable borrowing terms overall. Therefore, maximum debt outstanding during the construction of the Research Hospital will be approximately \$350 million, with approximately \$100 million issued at fixed interest rates and \$250 million in variable rate obligations, and will be issued through a combination of a negotiated public sale and bank direct placement. Internal cash and philanthropic support will be used to redeem the debt during the construction period.

Based upon current interest rate levels, bond market characteristics and RIC's objectives, the finance team has recommended that the bonds be structured with 30-35 year final maturities. The fixed rate bonds are expected to be sold at a true interest cost below 6.00%. The variable rate bonds will be structured either as LOC-backed demand bonds or will be purchased directly by J.P. Morgan, Northern Trust (both provide Letter of Credit support on RIC's current outstanding bonds) and other leading financial institutions. The variable rate bonds are expected to have rates below 3.00%. RIC's outstanding debt is not rated and RIC does not have an issuer rating. However, RIC has

received favorable indications from its initial meetings with the three major rating agencies; based on these indications and the analysis completed by the finance team, our bonds should be assigned a rating in the "A" category. The bonds will have covenants consistent with other A-rated bonds, with security limited to a debt service reserve fund, if necessary. Provided there is no significant change in the level of interest rates or demand for municipal bonds over the next several months, it is the opinion of H2C and RIC's underwriters that the financing transactions can be completed within the general parameters described above.

Please let us know if you have any questions or need further information.

Sincerely,



Victoria Poindexter
Principal

cc: Mr. Ed Case, RIC
Ms. Nancy Paridy, RIC



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January 10, 2013

Illinois Health Facilities and Service and Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

TO WHOM IT MAY CONCERN:

The Rehabilitation Institute of Chicago ("RIC") has contacted the Illinois Finance Authority ("IFA") in regard to a potential financing related to its proposed new Research Hospital which we understand is scheduled to be heard for the Illinois Health Facilities and Services Review Board on February 5, 2013. Previously, in December of 2009, the IFA partnered with RIC for a tax exempt financing and therefore became very familiar with the Institute and its financial condition. We have met with and are aware generally of RIC's current financial status and their interest in proceeding with a new financing related to the new Research Hospital. On behalf of the IFA, IFA is interested in proceeding with and RIC is eligible for this new financing. If you have any questions, please do not hesitate to contact me.

Sincerely,

Christopher B. Meister
Executive Director
Illinois Finance Authority

cc: Ed Case
Nancy E. Paridy