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State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
25 Capitol Street - Room 120
Concord, New Hampshire 03301

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May 28, 2021

His Excellency, Governor Christopher T. Sununu
and the Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Approval of the Report and Findings of Councilor Cinde Warmington with regard to a certain project in participation with Concord Hospital Inc., Concord, NH.

EXPLANATION

This item is submitted pursuant to a request by the New Hampshire Health and Education Facilities Authority. Councilor Warmington has requested that this be placed on the agenda as a regular item for the Wednesday, June 16, 2021 meeting for ratification by the Governor and Council.

Sincerely,

Charles M. Arlinghaus
Commissioner

CMA/dph

Attachment

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May 26, 2021

Charles Arlinghaus, Commissioner
Department of Administrative Services
State of New Hampshire
State House Annex
Concord, New Hampshire 03301

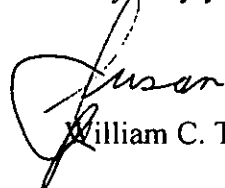
RE: New Hampshire Health and Education Facilities Authority –
Concord Hospital, Inc. 2021 Bond Issue

Dear Commissioner Arlinghaus:

I enclose an original and ten copies of the Report and Findings of Councilor Cinde Warmington with regard to a certain project in participation with Concord Hospital, Inc., Concord, New Hampshire. Councilor Warmington has requested that this be placed on the agenda as a regular item for ratification by the Governor and Council at their meeting scheduled for Wednesday, June 16, 2021.

Thank you for your assistance in this matter.

Very truly yours,


William C. Tucker

/sos

enclosures

**REPORT
AND
FINDINGS
OF**

CINDE WARMINGTON, Executive Councilor for District 2 of The State of New Hampshire, under the provisions of the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated, on the undertaking by the Authority of a certain project in participation with **CONCORD HOSPITAL, INC.**, Concord, New Hampshire, pursuant to said Act.

Introductory

The New Hampshire Health and Education Facilities Authority (hereafter referred to as the “Authority”), requested of Governor Christopher Sununu and the Executive Council that a hearing be held pursuant to the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated (the “Act”), and particularly as prescribed in Section 21 of the Act. The hearing is required as the result of an application for financing submitted to the Authority by Concord Hospital, Inc., located in Concord, New Hampshire (the “Hospital” or “Concord”), and certain of its affiliated health care institutions, being Concord Hospital - Laconia located in Laconia, New Hampshire (“Laconia”) and Concord Hospital - Franklin located in Franklin, New Hampshire (“Franklin”) (Concord, Laconia, and Franklin being hereinafter collectively referred to as the “Borrowers”), all of which are not-for-profit hospitals which are licensed by the Department of Health and Human Services and are participating health care institutions under RSA 195-D:3. Such application seeks the participation of the Authority, under the Act, in the financing of certain capital acquisitions and improvements by the Borrowers, including the construction and renovation of certain of the Borrowers’ facilities, the purchase of certain capital equipment by the Borrowers and the refinancing of certain of Concord’s existing indebtedness (hereinafter collectively referred to as the “Project”).

Pursuant to RSA 195-D:21, I held a hearing and made findings in connection with the application. Following Public Notice given in accordance with Chapter 91-A of the New Hampshire Revised Statutes Annotated, by notice published in the New Hampshire Union Leader on May 21, 2021, the hearing was held commencing at 2:00 p.m. on Wednesday, May 26, 2021 in

the Robert Boucher Conference Room on the third floor of Concord Hospital, 250 Pleasant Street, Concord, New Hampshire. All witnesses were duly sworn. A summary of testimony presented at the hearing follows:

Summary of Testimony

Scott Sloane, the Senior Vice President and Chief Financial Officer of the Concord Hospital, was the first witness. He described the Hospital as a not-for-profit corporation organized under New Hampshire law exclusively for charitable purposes.

Mr. Sloane stated that the Hospital is licensed for 295 beds, of which 242 beds are currently being staffed. Mr. Sloane described the Hospital as providing a full spectrum of inpatient and outpatient services including medical, surgical, obstetric and emergency care services to patients in a service area consisting of Concord and 26 surrounding communities.

Mr. Sloane testified that the Hospital is licensed by the New Hampshire Department of Health and Human Services and is accredited by Det Norske Veritas. The Hospital is approved for participation in the Medicare and Medicaid programs and is a member of the New Hampshire Hospital Association and the American Hospital Association.

Mr. Sloane stated that the Hospital is the sole member of Franklin and Laconia which on May 1 of this year acquired the health care facilities, land, buildings, and equipment of the former Lakes Region General Hospital and the former Franklin Regional Hospital, respectively.

Mr. Sloane stated that the Project will involve three separate series of Authority bonds. The first series, Concord Hospital Issue, Series 2021R in the approximate amount of \$13 million will be used to refinance a taxable bank loan, the proceeds of which were used to refund and defease a portion of the Authority's Revenue Bonds, Concord Hospital Issue, Series 2011, the proceeds of which were used to finance and refinance the construction, renovation, and equipping of certain of the Hospital's facilities. The 2021R Bonds will bear interest at the rate of 1.57% and be purchased by TD Bank, National Association under an existing Forward Purchase Agreement. Similarly, the second series of the Authority's Revenue Bonds, Concord Hospital Issue, Series 2022R will be used to refinance a second taxable bank loan the proceeds of which were used to refinance the

Authority's Revenue Bonds, Concord Hospital Issue, Series 2013A, the proceeds of which were used to finance and refinance various construction, renovation, and equipping of certain of the Hospital's facilities. The Series 2022R Bonds will be issued in the approximate amount of \$37 million dollars, bear interest at the rate of 1.84% and be purchased by TD Bank, National Association under an existing Forward Purchase Agreement.

Mr. Sloane testified that the third portion of the Project and the third series of bonds will be the Authority's Revenue Bonds, Concord Hospital Issue, Series 2021A which will be issued in a public offering in an amount not to exceed \$75 million dollars. Proceeds of the Series 2021A Bonds will be used to finance and refinance the construction, renovation, improvements, and equipping of the Hospital's facilities. Proceeds of the Series 2021A Bonds may also be used by the Hospital's affiliates, Laconia and Franklin, to reimburse Laconia and Franklin for capital expenditures for the acquisition of the facilities, land, buildings, and equipment of the former Lakes Region General Hospital and of the former Franklin Regional Hospital and for capital expenditures over the next three years. In addition, depending on the level of interest rates at the time of closing, proceeds of the Series 2021A Bonds may also be used to refund the Authority's Revenue Bonds, Concord Hospital Issue, Series 2013B, the proceeds of which were used to refund the Authority's Revenue Bond, Concord Hospital Issue, Series 2004. Finally, proceeds of the Series 2021A Bonds may also be used to pay certain costs of issuing the Series 2021A Bonds.

Mr. Sloane testified that the Hospital expects to issue the Series 2021A Bonds based upon its own credit rating in a public offering underwritten by Morgan Stanley & Co. LLC. The Hospital is currently rated AA- by Fitch, Inc. The Series 2021A Bonds will also be rated by either Moody's Investors Service or S&P Global Ratings and are expected to mature in approximately 30 years.

Mr. Sloane testified that the refinancing of existing indebtedness would assist the Hospital in lowering the cost of providing healthcare facilities in New Hampshire. Based upon his position and his familiarity with the finances of the Hospital and its affiliates, he stated his opinion that the Borrowers would be able to meet their financial obligations under the proposed bond issues and that Concord and its affiliates are operating in a financially responsible manner.

The next witness was Kevin Connell, Managing Director of Echo Financial Services, LLC, the Hospital's financial advisor, who testified by telephone. Mr. Connell testified that he has had an opportunity over the past several months to work with the Hospital and other members of the financing team and that, in connection with such work, he has had an opportunity to review, and become familiar with, the Borrowers' operations and their financial performance. Based on his review, he stated his opinion that the Borrowers are financially responsible healthcare institutions and that the refinancing will assist the Hospital in lowering the cost of providing healthcare facilities within New Hampshire.

Bonnie S. Payette was the final witness called. She stated that she is the Executive Director of the Authority and is involved with the administration of the Authority's day-to-day affairs. In her capacity as Executive Director, she has become acquainted with the Project and the details of its financing, having worked closely with the Hospital's officers in developing the financial arrangements to be reflected in the bonds proposed to be issued. She stated that the Authority has voted to issue its bonds for the Project, subject to compliance being had with all laws bearing upon such issue and the advice of counsel, including Bond Counsel. She testified that the Authority adopted a resolution on May 25, 2021, approving issuance of bonds for the Hospital and its affiliates, Laconia and Franklin.

Ms. Payette testified that certain documents are being prepared for execution in connection with the Project, including a Bond Indenture to be entered into between the Authority and U.S. Bank National Association, as Bond Trustee for the proposed bond issue and a Loan Agreement intended for execution between the Hospital, on its behalf and as Obligated Group Agent, and the Authority. She stated that there will be a provision in the Loan Agreement under which the Borrowers are obligated to hold and use the Project for healthcare purposes so long as the Bonds are outstanding. She testified to the language in the Bond Indenture which will require that each bond issued by the Authority for the Hospital and its affiliates on its face the following provision:

Neither the State of New Hampshire nor any political subdivision thereof shall be obligated to pay the principal of or interest on this bond, other than from Pledged Revenues, and neither the faith and credit nor the taxing power of the State of New Hampshire or of any political subdivision thereof is pledged to the payment of the principal of or interest on this bond.

Ms. Payette testified that the bond documents will make adequate provision for the payment of principal and interest on the bonds, as well as the costs of the Project, so that the State will not be obligated in any way for their repayment.

Ms. Payette concluded her testimony by stating that, based on her familiarity with the statute under which the Authority operates, on her experience as Executive Director of the Authority, and on the advice of counsel, including Bond Counsel, the Project is within the powers conferred by law upon the Authority.

Findings

Upon the testimony submitted at the hearing, and upon consideration, I find as follows:

(1) The construction and acquisition of the Project, and the refinancing of existing indebtedness, as the same is described in such testimony, will enable and assist Concord Hospital, Inc. (the "Hospital") and its affiliates, Concord Hospital - Laconia and Concord Hospital - Franklin (collectively, the "Borrowers"), all not-for-profit hospitals which are licensed by the Department of Health and Human Services and located in Concord, Laconia, and Franklin, New Hampshire, to provide health care facilities within the State of New Hampshire (the "State"); and

(2) The Project will be leased to, or owned by, the Borrowers, each of which are financially responsible participating institutions within the State; and

(3) Adequate provision has been, or will be, made for the payment of the cost of the construction and acquisition of the Project and the refinancing of existing indebtedness related thereto; and under no circumstances will the State be obligated, directly or indirectly, for the payment of the principal of, or interest on, any obligations issued to finance such construction and acquisition or to provide for the refinancing of existing indebtedness, or obligations to which such refinancing of existing indebtedness relates; and

(4) Adequate provision has been, or will be, made in any lease or mortgage of the Project to be undertaken or any property leased or mortgaged in connection with the issuance of bonds or notes for the payment of all costs of operation, maintenance and upkeep of the Project by the Borrowers so that under no circumstances will the State be obligated, directly or indirectly, for the payment of such costs; and

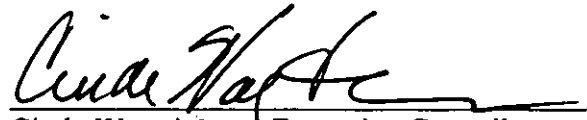
(5) Adequate provision has been made to obligate the Borrowers to hold and use the Project for health care purposes so long as the principal of and interest on bonds or other obligations issued by the New Hampshire Health and Education Facilities Authority (the "Authority") to finance the cost of the Project, including any refunding bonds issued to refund and refinance such bonds, have not been fully paid and retired and all other conditions of the resolution or trust agreement authorizing and securing the same have not been satisfied and the lien of such resolution or trust agreement has not been released in accordance with the provisions thereof; and

(6) The construction and acquisition of the Project, and the refinancing of existing indebtedness, will be within the authority conferred by Chapter 195-D of the New Hampshire Revised Statutes Annotated upon the Authority; and

(7) The construction and acquisition of the Project serves a need presently not fulfilled in providing health care facilities within the State and is of public use and benefit; and

(8) The refinancing of existing indebtedness will assist the Hospital in lowering the cost of providing healthcare facilities within the State and will be in connection with a project being provided by the Hospital.

Dated: May 26, 2021


Cinde Warmington, Executive Councilor
for District 2

RATIFICATION AND GOVERNOR'S APPROVAL

The Governor and Council hereby ratify, confirm, approve and adopt the findings set forth in the Report and Findings attached hereto made by Cinde Warmington, the Executive Councilor for District 2, at a hearing and made pursuant to Section 21 of the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated. The hearing was required and held as a result of an application submitted to the New Hampshire Health and Education Facilities Authority by Concord Hospital, Inc., and its affiliates, not-for-profit hospitals which are located in Concord, Laconia, and Franklin, New Hampshire, are licensed by the Department of Health and Human Services and provide health care facilities within the State of New Hampshire. The hearing was held on May 26, 2021, following public notice, in the Robert Boucher Conference Room on the third floor of Concord Hospital, 250 Pleasant Street, Concord, New Hampshire, at 2:00 o'clock in the afternoon.

The Governor's signature constitutes his approval under Section 147(f) of the Internal Revenue Code of 1986, as amended, of the issuance of the bonds described herein and in the hearing conducted by the Authority on June 2, 2021, and as described in the Notices of Public Hearing published on May 21, 2021 and on May 26, 2021.

Dated: June 16, 2021

Governor and Council:

