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State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
OFFICE OF THE COMMISSIONER
25 Capitol Street – Room 120
Concord, New Hampshire 03301

VICKI V. QUIRAM
Commissioner
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JOSEPH B. BOUCHARD
Assistant Commissioner
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September 14, 2016

Her Excellency, Governor Margaret Wood Hassan
and the Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Approval of the Report and Findings of Councilor David K. Wheeler with regard to a certain project in participation with Southern NH Medical Center in Nashua, New Hampshire.

EXPLANATION

This item is submitted pursuant to a request by the New Hampshire Health and Education Facilities Authority. Councilor Wheeler has requested that this be placed on the agenda as a regular item for the Wednesday, October 5, 2016 meeting for ratification by the Governor and Council.

Sincerely,

Vicki V. Quiram
Commissioner

Attachment

SEP 14 2016 10:03 AM

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September 13, 2016

Vicki Quiram, Commissioner
Department of Administrative Services
State of New Hampshire
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Concord, New Hampshire 03301

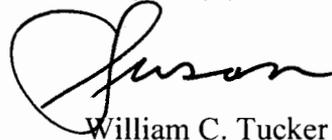
RE: New Hampshire Health and Education Facilities Authority –
Southern New Hampshire Medical Center

Dear Commissioner Quiram:

I enclose an original and ten copies of the Report and Findings of Councilor David K. Wheeler with regard to a certain project in participation with Southern New Hampshire Medical Center, Nashua, New Hampshire. Councilor Wheeler 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, October 5, 2016.

Thank you for your assistance in this matter.

Very truly yours,


William C. Tucker

/sos

**REPORT
AND
FINDINGS
OF**

DAVID K. WHEELER, designee of the Governor and Council 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 the **SOUTHERN NEW HAMPSHIRE MEDICAL CENTER**, Nashua, New Hampshire, pursuant to said Act.

Introductory

The New Hampshire Health and Education Facilities Authority (hereafter referred to as the “Authority”), requested of Governor Maggie Hassan 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 (hereafter referred to as the “Act”), and particularly as prescribed in Section 21 of the Act. The hearing is required as the result of an application submitted to the Authority by Southern New Hampshire Medical Center, a voluntary not-for-profit hospital located in Nashua, New Hampshire (the “Hospital”), which is licensed by the New Hampshire Department of Health and Human Services and is a participating healthcare institution under RSA 195-D:3. Such application seeks the participation of the Authority, under the Act, in refinancing of certain of the Hospital’s existing indebtedness (hereafter sometimes referred to as the “Project”).

Pursuant to RSA 195-D:21 above cited, the Governor and Council designated me to hold a hearing and make 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 September 9, 2016, the hearing was held commencing at 10:00 a.m. on Tuesday, September 13, 2016, in the Nashua Room of Southern

New Hampshire Medical Center, 8 Prospect Street, Nashua, New Hampshire. All witnesses were duly sworn. A summary of testimony presented at the hearing follows:

Summary of Testimony

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

Mr. Trainor stated that the Hospital is licensed for 188 beds, of which 116 beds are medical/surgical, 8 beds are pediatric, 11 beds are intensive/coronary care, 23 beds are obstetrics/gynecology, and 30 beds are behavioral health. Mr. Trainor described the Hospital as providing services characteristic of an acute care, community hospital to medical, surgical, obstetric, and emergency care patients in a primary service area consisting of Nashua and 11 other communities and a secondary service area consisting of some 11 communities.

Mr. Trainor testified that the Hospital provides a full spectrum of inpatient and outpatient services. The Hospital is licensed by the New Hampshire Department of Health and Human Services and is accredited by Det Norske Veritas and Germanischer Lloyd (DNV GL). 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. Trainor stated that the proceeds of the bonds proposed to be issued (the "Series 2016 Bonds") will be used to advance refund of all or a portion of the Authority's Revenue Bonds, Southern New Hampshire Medical Center Issue, Series 2007A (the "Series 2007 Bonds"), the proceeds of which were used to (a) finance certain costs associated with the renovation of certain of the Hospital's existing facilities, the construction of new patient rooms, the expansion of laboratory space and functions, and certain other miscellaneous capital expenses; (b) current

refund the Authority's Series 2001 Bonds and Series 2004B Bonds, both of which were issued for the benefit of the Hospital; (c) advance refund the Authority's Series 2004A Bonds also issued for the benefit of the Hospital; (d) refinance certain notes with respect to loans under the Authority's VHA of New England Capital Asset Financing Program; and (e) pay costs of issuance and possibly fund a Debt Service Reserve Fund in connection with the Series 2016 Bonds.

Mr. Trainor testified that, under the Loan Agreement with the Authority, the Hospital will be required to continue to carry blanket fire and extended coverage as well as general liability insurance and professional liability insurance.

Mr. Trainor explained that, in his view, the Project would be of public use and benefit and would permit the Hospital to continue to render an appropriate level of service to its current and future patients. Based upon his position as Senior Vice President of Finance and Chief Financial Officer at the Hospital and his familiarity with the finances of the Hospital and Southern New Hampshire Health System, Inc. (the "System") which will also be obligated on the Series 2016 Bonds as a member of the Obligated Group, he stated his opinion that the Hospital and the System would be able to meet their financial obligations under the proposed bond issue and that the Hospital and the System are currently operating in a financially responsible manner. Mr. Trainor concluded his testimony by explaining that the refinancing of the Series 2007 Bonds would assist the Hospital in lowering the cost of providing healthcare services in the State of New Hampshire.

The next witness was Nesity Shems, a Managing Director of Piper Jaffray & Co., the Hospital's investment banker. Mr. Shems testified that he has had an opportunity over the past several months to work with the Hospital and the System, 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 Hospital's and the System's operations and financial performance. Based on his

review, he stated his opinion that the Hospital and the System are financially responsible healthcare institutions.

Mr. Shems stated that the proposed Series 2016 Bonds will be issued in a public offering at fixed rates of interest. He concluded his testimony by stating that the maturity of the proposed Series 2016 Bonds will not exceed 25 years.

Bonnie Payette was the final witness called. She stated that she is the Director of Operations and Finance of the New Hampshire Health and Education Facilities Authority, charged with the administration of the Authority's day-to-day affairs. In her capacity as Director of Operations and Finance, she has become acquainted with the Project and the details of its financing, having worked 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's vote to issue the Series 2016 Bonds will be 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 will be voting to adopt a resolution on September 15, 2016, to approve the Series 2016 Bond issue for the benefit of the Hospital in an amount not to exceed \$68 million dollars.

Ms. Payette testified that certain documents are being prepared for execution in connection with the Project, including one or more Bond Indentures to be entered into between the Authority and the Trustee for the Series 2016 Bonds and one or more Loan Agreements intended for execution between the Hospital and the Authority. She stated that there will be a provision in the Loan Agreement under which the Hospital will be obligated to hold and use the Project for healthcare purposes so long as the Series 2016 Bonds are outstanding. She testified that there will be language in the Bond Indenture requiring that each Series 2016 Bond issued by the Authority for Southern New Hampshire Medical Center, bear 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 Series 2016 Bonds, as well as the cost 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 Director of Operations and Finance 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 refinancing of indebtedness, as the same is described in such testimony, will enable and assist Southern New Hampshire Medical Center (herein called the "Hospital"), a voluntary not-for-profit hospital which is licensed by the New Hampshire Department of Health and Human Services and located in Nashua, New Hampshire, to provide healthcare facilities within the State of New Hampshire (herein called the "State"); and

(2) The Project to which the refinancing of existing indebtedness relates will be leased to, or owned by, the Hospital, which is a financially responsible participating institution within the State; and

(3) Adequate provision has been, or will be, made for the payment of the cost of the refinancing of existing indebtedness; 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 the refinancing of existing indebtedness; 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 Hospital 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 Hospital to hold and use the Project for healthcare purposes so long as the principal of and interest on bonds or other obligations issued by the New Hampshire Health and Education Facilities Authority (herein called 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 refinancing of the Hospital's existing indebtedness of the Project will be within the authority conferred by Chapter 195-D of the New Hampshire Revised Statutes Annotated upon the Authority; and

(7) The refinancing of existing indebtedness will assist the Hospital in lowering the cost of providing healthcare services within the State.

Dated: September 13, 2016


David K. Wheeler
Executive Councilor
Designee of the Governor and Council

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 David K. Wheeler, the Designee of the Governor and Council to hold a hearing and make findings 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 Southern New Hampshire Medical Center, a voluntary not-for-profit hospital licensed by the New Hampshire Department of Health and Human Services which is located in Nashua, New Hampshire and provides healthcare facilities within the State of New Hampshire. The hearing was held on September 13, 2016 following public notice, in the Nashua Room of Southern New Hampshire Medical Center, 8 Prospect Street, Nashua, New Hampshire at 10:00 a.m.

The Governor's signature constitutes her approval under Section 147(f) of the Internal Revenue Code of 1986, as amended, of the issuance of the obligations described herein and in the hearing conducted by the Authority on September 30, 2016, and as described in Notices of Public Hearing published on September 9, 2016 and September 15, 2016.

Dated: October 5, 2016

Governor and Council:

