

DELAWARE HEALTH FACILITIES AUTHORITY

Minutes of Annual Meeting of June 18, 2009

The Annual Meeting of the Delaware Health Facilities Authority (the "Authority") was held after proper notice at 12:00 p.m., June 18, 2009, in the offices of Potter Anderson & Corroon LLP at 1313 N. Market Street, Wilmington, Delaware.

In attendance were Authority Members Rolf F. Eriksen (Chair), Desmond A. Baker, George W. Forbes, III, William G. Neaton, Dr. Howard A. Palley, and William J. Riddle. Also in attendance were John J. Quinn, III, Esquire, Counsel to the Authority. Emilie R. Ninan, Esquire, Ballard Spahr Andrews & Ingersoll LLP, was also in attendance to advise the Members of the possible upcoming Bayhealth bond application. No members of the general public were in attendance.

All documents referred to in these Minutes and not appended hereto are filed in the official records of the Authority and copies are available upon request.

Chairman, Rolf F. Eriksen, opened the meeting at 12:17 p.m. and thanked everyone for coming to the meeting.

New Member

Mr. Eriksen introduced and welcomed Governor Markell's newest appointment to the Authority, Dr. Howard A. Palley. Dr. Palley discussed his background, including his involvement with Science Advisory Board of Health Canada.

Annual Meeting

Fiscal Year

The Members briefly discussed the Authority's fiscal year. The Members expressed their interest in considering changing the fiscal year to June 30 and asked Mr. Quinn to investigate. Mr. Quinn stated that he would review the statute and speak with Ms. Stephanie Scola, Director of Bond Finance in the Delaware Department of Finance.

Minutes from Authority Annual Meeting on August 19, 2008 and Authority Special Meeting on October 21, 2008

Mr. Quinn presented and briefly reviewed the minutes from the August 19, 2008 and October 21, 2008 meetings, which had been previously circulated to the Members. During the course of reviewing the minutes, the Members discussed credit ratings and credit enhancements, and their effect on interest rates. Mr. Eriksen suggested that the Members give future consideration to setting a minimum rating for Authority bond transactions. After further discussion and review,

Mr. Eriksen asked if there were any changes to be made to the Minutes of the Authority Meetings on August 19, 2008 and October 21, 2008. It was noted that Mr. Forbes' name was spelled incorrectly at one point in the August 19, 2008 minutes. Upon Mr. Eriksen's request, subject to the noted correction, Mr. Neaton moved that both sets of minutes be approved. Mr. Baker seconded the motion. The Members unanimously approved the minutes of August 19, 2008 and October 21, 2008.

Revenues and Expenses for 2008

A summary of the Authority's actual revenues and expenses for the year 2008 was reviewed. Mr. Quinn explained to the Members that the legal fees and auditors' fees were higher than usual because both line items reflected 2008 billings for work performed in 2007. The summary is attached.

Selection of Independent Auditor

Mr. Quinn reviewed the proposals received for auditing services from four Wilmington accounting firms (the proposals and a summary thereof previously had been mailed to the Members). The Members noted that only two firm's proposals were competitive, McBride Shopa, the Authority's current auditor; and Cover & Rossiter. The Members discussed the relative advantages of retaining the current auditor, McBride Shopa, who is experienced in the Authority's financial affairs and procedures, compared to the monetary savings available if Cover & Rossiter were retained. After lengthy discussion, the Members decided to retain McBride Shopa for one (1) more year (i.e., for the audit of the 2008 financials), rather than retain a firm for the originally planned three years. It was decided that this would help expedite the issuance of the 2008 financials while giving the Members time to explore other opportunities for auditing services. The Members asked Mr. Quinn to advise McBride Shopa that the Members are interested in knowing whether a change in fiscal year is feasible and whether there would be any savings arising from such a change. Mr. Quinn agreed to inform all of the firms that made proposals of the Authority's decision and to work with McBride Shopa regarding analysis of a change of fiscal year. The Members also asked Mr. Quinn to arrange for Cover & Rossiter to review its proposal with the Members in person, at a future meeting.

Budget for 2009 and Hospital Allocations

The Authority's proposed operating budget for 2009 in the amount of \$43,100.00 (which is based in part on the selection of McBride Shopa as auditor), in the form attached, was reviewed by the Members. Mr. Quinn explained that a small amount is included in the budget for travel and miscellaneous and that this number is estimated based on past experience and set so that the total budget is rounded to the nearest one hundred dollars. Mr. Quinn explained that the budget is the estimate of general administrative expenses and does not include fees and expenses related to new bond transactions.

Mr. Quinn also presented the proposed allocation of the 2009 budget among the hospitals. The Members reviewed and discussed the proposed allocation of 2009 total operating budget. In response to a question regarding the allocation procedure, Mr. Quinn explained that

the allocations are determined by him on a pro rata basis based on the dollar amounts of aggregate outstanding bonds issued by the Authority for each hospital determined as of the end of the preceding year (December 31, 2008). Mr. Quinn explained that this has been the Authority's long-standing practice for allocating its operating budget among hospitals. The statute provides that the Authority may "charge to and equitably apportion among participating facilities its administrative costs and expenses." Mr. Quinn further elaborated that fees and expenses arising in connection with a specific bond transaction (i.e., a new issuance of bonds) are paid in full by the borrowing hospital entering into that specific transaction. The Members asked Mr. Quinn to explain the allocation procedure in writing to the hospitals when this year's allocations are assessed.

Upon motion duly made and seconded, the Members in attendance unanimously approved the operating budget for 2009 at \$43,100.00 and the allocation of budget, both of which are attached hereto.

Election of Officers

After motion made by Mr. Forbes, seconded by Dr. Palley, the re-appointments of the following officers of the Authority were unanimously approved:

<u>Office</u>	<u>Officer</u>
Chair	Rolf F. Eriksen
Vice Chair	William G. Neaton
Treasurer	Desmond A. Baker
Secretary	Desmond A. Baker
Assistant Treasurer	William J. Riddle
Assistant Secretary	William J. Riddle

Bayhealth – New Bond Issue

Ms. Ninan informed the Members that Bayhealth was planning a new bond issue, likely to close in October 2009, in an amount not likely to exceed \$200 million. For this purpose, it appears that the Authority will require a special meeting of the Members to consider the application for a new issuance in September, 2009.

There being no further business, Mr. Eriksen adjourned the meeting at 1:25 p.m.

CERTIFICATION

I, Desmond A. Baker, hereby certify that the foregoing is a true and correct copy of the Minutes of Annual Meeting of the Delaware Health Facilities Authority held on June 18, 2009.

Desmond A. Baker
Secretary-Treasurer

DELAWARE HEALTH FACILITIES AUTHORITY

2008 Revenues and Expenses

Cash Balance (Checking and Savings) as of 12/31/2007 \$25,006.07

Revenues:

Assessments Received:¹

Nanticoke Medical Center (2006)	\$5,054.92
Nemours Foundation (2006)	4,525.14
Catholic Health East (2006)	1,719.46
Christiana Care Health System (2008)	19,361.12
Nanticoke Medical Center (2008)	8,168.37
Bayhealth Medical Center (2008)	14,945.58
Beebe Medical Center (2008)	13,025.46
Catholic Health East (2008)	2,782.31
Nemours Foundation (2008)	7,117.16

Interest Earned 211.10

TOTAL REVENUES \$ 76,910.62

Operating Expenses:

Insurance	\$ 532.00
Legal ²	28,000.00
Auditors ³	50,520.00

TOTAL EXPENSES \$ 79,052.00

Cash Balance (Checking and Savings) as of 12/31/2008⁴ \$22,864.69

=====

¹ Nanticoke, Catholic Health East, and Nemours paid 2006 assessments in 2008. No assessments for 2007 were made (2008 assessments included an adjustment for the 2007 allocations).

² Legal counsel did not invoice for fees during 2007. A portion of the fees invoiced during 2008 were for services that related to 2007.

³ Auditors billed for \$10,800.00 in fees during 2007, plus interest, but these were not paid until 2008. Amount shown above includes payments for services rendered during 2007 and 2008 (i.e., for the 2006 and 2007 audit reports).

⁴ Balance adjusted downward for Check No. 1002 drawn in 2008 for Legal expenses, which cleared Jan. 12, 2009 (\$28,000.00).

DELAWARE HEALTH FACILITIES AUTHORITY

Proposed Operating Budget – 2009

Estimated Operating Expenses:

Insurance	541.00
Auditors	20,000.00
Administrative and Legal	22,000.00
Travel and Miscellaneous	<u>559.00</u>
<u>Total Estimated Operating Expenses:</u>	\$ 43,100.00

908520v2

DELAWARE HEALTH FACILITIES AUTHORITY

Allocation of 2009 Total Operating Budget*

<u>Facility</u>	<u>Annual Assessment</u>
Bayhealth Medical Center	\$9,498.73
Beebe Medical Center	8,174.27
Catholic Health East	1,771.87
Christiana Care Health Center	13,829.97
Nanticoke Medical Center	5,197.04
Nemours Foundation	4,628.12
TOTAL	\$43,100.00

920082

* These allocations are based on bonds outstanding as of 12/31/08.