

DELAWARE HEALTH FACILITIES AUTHORITY

Minutes of Annual Meeting

of

December 17, 2013

The Annual Meeting of the Delaware Health Facilities Authority (the “Authority”) was held after proper notice at 12:30 p.m., December 17, 2013, 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
Lisa More
William G. Neaton
Howard A. Palley, Ph.D.

Ms. More entered the meeting at 12:48 p.m., as noted below.

Also in attendance were:

John J. Quinn, III, Esquire, Counsel to the Authority

Peter Kennedy, representing Cover & Rossiter, P.A., the Authority’s auditors (the “Auditors”), was invited to attend to review the Authority’s Financial Statements for the Year ended December 31, 2011, but was unable to attend due to prior-existing schedule conflicts.

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

Chairman, Rolf F. Eriksen, opened the meeting at 12:38 p.m. and thanked everyone for coming to the meeting.

2013 Annual Meeting of Delaware Health Facilities Authority

Minutes from Authority Annual Meeting on June 13, 2012

After Member review and discussion, Mr. Eriksen asked if there were any changes to be made to the Minutes of the Authority Annual Meeting on June 13, 2012. Upon Mr. Eriksen’s request, Mr. Neaton moved that the minutes be approved as presented. The motion was seconded by Mr. Baker and the Members unanimously approved the minutes of June 30, 2012.

Minutes from Authority Special Meeting on April 10, 2013

After Member review and discussion, Mr. Eriksen asked if there were any changes to be made to the Minutes of the Special Meeting of the Authority on April 10, 2013. Upon Mr. Eriksen's request, Dr. Palley moved that the minutes be approved as presented. The motion was seconded by Mr. Baker and the Members unanimously approved the minutes of April 10, 2013.

Minutes from Authority Special Meeting on May 7, 2013

After Member review and discussion, Mr. Eriksen asked if there were any changes to be made to the Minutes of the Special Meeting of the Authority on May 7, 2013. Upon Mr. Eriksen's request, Dr. Palley moved that the minutes be approved as presented. The motion was seconded by Mr. Baker and the Members unanimously approved the minutes of May 7, 2013.

At this time (12:48 p.m.), Ms. More joined the meeting.

Minutes from Authority Special Meeting on July 31, 2013

After Member review and discussion, Mr. Eriksen asked if there were any changes to be made to the Minutes of the Special Meeting of the Authority on July 31, 2013. Upon Mr. Eriksen's request, Ms. More moved that the minutes be approved as presented. The motion was seconded by Dr. Palley and the Members unanimously approved the minutes of July 31, 2013.

Mr. Quinn reported to the Members that he would retain copies of each of the approved Minutes with the official records of the Authority. Copies are available upon request.

Financial Statements for the Year ended December 31, 2011

In the absence of the Authority's Auditors, the Members decided to postpone further review of the Authority's Financial Statements until a future date, to be determined.

Revenues and Expenses for 2012

Mr. Quinn presented to the Members summaries of the Authority's actual revenues and expenses for the year 2012. Mr. Quinn also presented a report of Potter Anderson's fees billed for hospital bond transactions and an historical summary of the Authority's recent professional service fees.

The summaries of the Authority's revenues and expenses for 2012 and Reports of Professional Fees, as reviewed with the Members, are attached hereto as Exhibit B.

Budget for 2013 and Hospital Allocations

The Authority's operating budget for 2013 in the amount of \$71,900 was presented by Mr. Quinn to the Members. Mr. Quinn noted that the projected Administrative and Legal fee of \$54,439.00 includes \$24,312 for Potter Anderson legal work performed in prior years but not billed to the Authority until 2013. (Potter Anderson did not invoice the Authority during 2012.) Mr. Quinn stated that Potter Anderson's legal fees (other than fees billed directly to the hospitals relating to their specific bond transaction closings) have typically fluctuated within the range of \$20,000 to \$30,000 per year. The portion of the legal fees for work performed in 2013, estimated to be approximately \$30,127, included non-routine work in the Authority's consideration of policies relating to non-investment grade bonds and post-issuance bond compliance.

Mr. Quinn reported that the allocation of the 2013 budget among the hospitals is pro rata based on the amount of outstanding bonds issued by the Authority for each hospital as of December 31, 2012. The proposed budget allocation among hospitals was reviewed.

Mr. Forbes and Ms. More noted that the 2013 hospital allocation included both the legal fees projected for 2013 and the legal fees for 2012 that were actually billed to the Authority in 2013. In their discussions, the Members expressed concern that the hospitals had already been allocated a fee in 2012, in part arising from budgeted legal fees for 2012, and now are being allocated a fee for 2013 that in part considers the legal fees budgeted for 2012 but actually paid in 2013.

Mr. Quinn reported that there was no intention to double bill the hospitals for Authority expenses and that the Authority typically maintains its bank account balances in the \$40,000 to \$60,000 range, and consequently hospital allocations in the aggregate match Authority expenses over time. Mr. Quinn agreed to check his arithmetic in calculating the 2013 hospital allocations to ensure that the hospitals were being treated as equitably as reasonably possible.

After further discussions, and motion made and seconded, the Members approved the 2013 budget as presented. The budget as approved is attached hereto as Exhibit C.

After Member discussions concerning the hospital allocations, the Members took note of the proposed hospital allocations for 2013 (attached hereto as Exhibit D for reference only), pending Mr. Quinn's review of the calculations for 2013 and the related accounting for legal fees budgeted in one year and paid in a following year. Mr. Baker asked whether Mr. Quinn's review and possible adjustments to the allocation numbers would adversely affect the Authority's bank account balances. Mr. Quinn reported that this would not be a problem in the short term as the Authority was projected to have bank account balances of approximately \$15,000 at year-end 2013, after payment of all 2013 fees and expenses, with no significant expenses arising in early 2014.

After further discussions concerning hospital allocations, and noting that any changes to such allocations would be simple arithmetic adjustments that could be made by Mr. Quinn without further Member review, the Members directed Mr. Quinn to make appropriate adjustments to the hospital allocations after making corrections for any double-inclusion of legal fees; to deliver the allocations as so adjusted to the hospitals for payment; and to report at the next meeting of the Authority the corrected allocation numbers.

Election of Officers

Mr. Eriksen presented the proposed slate of officers. After motion made by Mr. Forbes and seconded by Ms. More, the Authority's current officers were re-appointed by unanimous Member approval, as follows:

<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

New Business

Members Terms

Mr. Quinn informed the Members that the current terms of Members Baker, Eriksen, More, and Riddle expired in 2013. Under the State Constitution, a Member's term continues until the Member resigns or is replaced. Mr. Quinn advised the Members that he had been in contact with the Governor's office regarding reappointments and that the Governor's office (Ms. Lydia Prig) had requested updated Boards and Commissions Applications from the

Members interested in being considered for reappointment. Mr. Quinn advised the Members that he would follow up with Ms. Prig concerning the applications.

Mr. Quinn also advised the Members that Member Palley's term expires April 2014, and that he would also follow up with Ms. Prig concerning Dr. Palley.

There being no further business, the meeting was adjourned at 2:00 p.m.

CERTIFICATION

I, Desmond A. Baker, hereby certify that the foregoing is a true and correct copy of the Minutes of Meeting of the Delaware Health Facilities Authority held on December 17, 2013.

Desmond A. Baker
Secretary-Treasurer

1147628

Exhibit A

**Minutes of Authority Meetings, As Approved
[to be attached]**

Exhibit B

Authority Revenues and Expenses for 2012

(including Reports of Professional Fees)

DELAWARE HEALTH FACILITIES AUTHORITY

2012 Revenues and Expenses

Cash Balances (Checking and Savings) as of 12/31/2011 \$34,149.82

Revenues:

Assessments Received:
Hospitals¹ 0.00

Interest Earned 16.91

TOTAL REVENUES \$ 16.91

Operating Expenses:

Insurance² \$ --

Legal (fees and disbursements)³ --

Auditors⁴ 20,800.00

Bank Fees --

Misc. (Travel and Parking) --

TOTAL EXPENSES \$ 20,800.00

Cash Balance (Checking and Savings) as of 12/31/2012 \$13,366.73

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¹ All 2012 hospital assessments were received in 2013.

² Insurance policy premium of \$588 was paid by Potter Anderson, and included as a disbursement in subsequent Potter Anderson invoice to the Authority.

³ Legal fees and disbursements for 2011 and 2012 in the amount of \$24,311.50 were billed in May 2013.

⁴ Represents final payment of \$20,800 for two years' audits (2009 and 2010).

REPORT OF PA&C LEGAL FEES PAID BY HOSPITALS IN DHFA BOND MATTERS

Bond	PAC Fees (\$) ⁵	Special Considerations / Issues
	Fees for 2012	
Bayhealth 2012	10,738	None
	Fees for 2013	
Nanticoke 2002	1,612	Release of nursing facility assets from UCC lien
Nanticoke 2013	30,608	Noninvestment Grade Bonds and Accredited Investor Determinations

Note: Applicants are advised that the Authority’s legal fee (not including disbursements) is not expected to exceed \$17,500 for Bonds of one (1) Series, subject to an increase in fees for “more than one (1) series due to the complexities that arise in a transaction involving multiple series of Bonds; the financial restructuring of a series of Bonds after the commencement of drafting of documentation or negotiation of terms contemplating a different financial structure; multiple or contingent meetings of the Authority or its committees which might arise, among other things, from a change in the financial structure of the Bonds or the Applicant’s attempt to time the issuance of any series of Bonds in response to capital market conditions; and the proposal, consideration, or negotiation of terms or conditions in any financing document (or any document, certificate, or instrument ancillary thereto) that are not usual and customary in the experience of the Authority or that would impose upon the Authority or its employees, staff, representatives, advisors, or agents responsibilities or obligations that are outside the scope of responsibilities and obligations traditionally undertaken by the Authority in connection with an issuance of Bonds.”

⁵ These figures include disbursements (e.g., copying charges, newspaper notices, mail and delivery services), which generally average \$500 to \$1,500 per bond transaction.

REPORT OF RECENT HISTORY OF PROFESSIONAL FEES PAID

Year	Legal (\$)	Accounting/Auditor (\$)
2007/2008 ⁶	28,000	50,520
2009	28,102	22,750 ⁷
2010	13,064	--
2011	--	5,000
2012	--	20,800
2013	54,439 (est.)	12,500
7-Yr. TOTALS	123,605	111,570
7-YEAR AVG.	17,658	15,939

⁶ All legal and auditing fees for 2007 were invoiced in 2008.

⁷ McBride Shopa's (previous auditor) last invoice year was 2009.

Exhibit C

Authority Budget for 2013

DELAWARE HEALTH FACILITIES AUTHORITY

Approved Operating Budget – 2013

Estimated Operating Expenses:

Insurance	591.00
Auditors (Cover & Rossiter) (FN1)	12,500.00
Administrative and Legal (FN2)	54,439.00
Financial Advisor (PFM) Special Projects	3,900.00
Travel and Miscellaneous	<u>470.00</u>
<u>Total Estimated Operating Expenses:</u>	\$ 71,900.00

FN1: For Auditors, includes \$12,500 (actual) that the Authority paid for auditing work done in 2013 relating to 2011 financials. Auditor fees for the preparation and auditing of year-end 2012 financials (projected to be \$13,500) will not be assessed until 2013.

FN2: Budget of \$54,439.00 for Administrative and Legal includes \$24,312 invoiced and actually paid in May 2013 for work performed in years 2011 and 2012, and \$30,127 in fees and disbursements billable for 2013.

Exhibit D

Hospital Allocations of Authority's 2013 Operating Budget

[As presented, prior to adjustment.]

DELAWARE HEALTH FACILITIES AUTHORITY

Allocation of 2013 Total Operating Budget
[As presented, prior to adjustment.]

<u>Facility</u>	<u>Annual Assessment</u>
Bayhealth Medical Center	\$21,952.94
Beebe Medical Center	5,687.72
Catholic Health East	1,757.60
Christiana Care Health System	32,835.00
Nanticoke Medical Center	5,127.91
Nemours Foundation	4,538.83
TOTAL	\$71,900.00