PONDER&Co
MEMORANDUM

To: Ken Hopkins
Chief Financial Officer
Norman Regional Health System

From: Grant Ostlund

Date: January 7, 2015

RE: Summary of Proposed Debt Issuance and Refunding

In October of 2014, Norman Regional Hospital Authority requested and received three proposals from financial institutions for the funding of a tax-exempt fixed rate debt issue. Upon review of the debt proposals for pricing, covenants, terms, and conditions, the Authority selected Capital One Public Funding ("Capital One") to provide a loan in an amount sufficient (when combined with other available funds) to current refund/redeem the remaining outstanding Series 2002 Bonds, fund accrued interest due on the Series 2002 Bonds at the redemption date, and pay for issuance costs.

Based upon current market conditions and the pricing provided by Capital One, executing the transaction will generate significant economic savings to the Authority.

As with all debt issued by the Authority, all principal, interest, and any other fees/expenses/costs associated with the proposed debt will be solely and completely the obligation of the Authority. The City of Norman will have no obligation to pay any principal, interest, or other fees/expenses/costs associated with the debt at any point in time.

The Series 2002 Bonds

Originally, $55,000,000 of tax-exempt Series 2002 Bonds were issued on March 22, 2002, with final maturity date of September 1, 2032. The proceeds of the Series 2002 Bonds were used to fund certain projects including the Northeast and Northwest additions to the downtown campus of Norman Regional Health System and the Wellness Center. Additionally, proceeds were used to pay the issuance costs associated with the bond issue and to fund a $3,741,050 debt service reserve fund. In 2013, the Authority issued a $25,000,000 fixed rate tax-exempt loan which, with other available funds including $2.29 million released from the debt service reserve fund, refunded $27,385,000 of the then outstanding Series 2002 Bonds. Between the 2013 refunding and regularly schedule principal payments, $38.695 million of the Series 2002 Bonds have been redeemed and therefore $16,305,000 remains outstanding. The remaining outstanding Series 2002 Bonds have interest rate coupons that vary from 5.125% to 5.500% (a 5.478% weighted average) and approximately $1.45 million remains in the debt service reserve fund. Under the legal provisions of the Series 2002 Bonds, all or part of the outstanding balance may be redeemed at the option of the Authority without any redemption premium.

The Proposed CapitalOne Loan

Capital One is willing to purchase $14,855,000 of debt from the Authority which is sufficient to redeem the $16,305,000 remaining balance of the Series 2002 Bonds. The debt will have a fixed cost of interest which will be determine shortly before the closing of the transaction based upon an established and agreed upon formula. The fixed interest rate would be approximately 3.23% under current market conditions. The proposed debt will have a final maturity of September 1, 2029, and the debt maybe redeemed at the option of the Authority at any time beginning on September 1, 2019. A debt service reserve fund will not be required. The proposed debt will be issued under the Authority's Master Indenture and secured solely by the gross revenues of the Authority. Other terms, conditions, covenants, and provisions of the proposed debt closely mirror the terms, conditions, covenants, and provisions of the Series 2002 Bonds (any and all differences have been deemed immaterial or insignificant by the Authority). Issuance costs for the proposed loan are anticipated to be approximately $112,609 (or 0.75% of the amount of debt issued).

The Transaction

Currently, the Authority is attempting to obtain all approvals in order to close the transaction on January 29, 2015. The following table shows the estimated sources and uses of a transaction closing on January 29, 2015, and includes:

- The release of the remaining portion of the existing debt service reserve fund,
- The release of certain other funds held by the trustee for the Series 2002 Bonds which are legally required to be released upon a refunding of the Series 2002 Bonds, and
- Accrued interest due on the Series 2002 Bonds redeemed through February 1, 2015,

Sources of Funds:	
Debt Proceeds	$14,855,000.00
Release of Series 2002 Reserve Fund	1,452,045.72
Release of Other Trustee Held Funds	482,743.33
	$16,789,789.05
Uses of Funds:	
Redemption of Series 2002 Bonds	$16,305,000.00
Accrued Interest Due on Redeemed Bonds	372,179.69
Issuance Costs	112,609.37
	$16,789,789.06

Once the redemption of debt takes place on February 1, 2015, the Series 2002 Bonds will be completely defeased and no longer outstanding.

The transaction will generate significant economic savings to the Authority due to the lower interest rate on the proposed debt and due to the lower amount of overall debt outstanding. Currently, the Authority is schedule to pay a total of $25.7 million of total debt service on the Series 2002 Bonds[1]. By executing the proposed transaction, the Authority will only pay approximately $18.82 million of total debt service[1] (assuming a 3.23% interest rate), a total savings of roughly $5.4 million (after appropriately reducing the total debt service savings for the debt service reserve funds released by the trustee). The savings of $5.4 million is approximately equal to 33.4% of the currently outstanding balance of the Series 2002 Bonds.

[1] - Total debt service calculated from January 29, 2015 (the closing date of the proposed transaction) to the final maturity of the debt referenced.