PONDER & CO

MEMORANDUM

To: Ken Hopkins
Chief Financial Officer
Norman Regional Health System

From: Grant Ostlund

Date: March 16, 2013

RE: Summary of Proposed Debt Issuance and Refunding

In January of 2013, Siemens Public, Inc. provided an offer to purchase $25,000,000 of tax-exempt debt from Norman Regional Hospital Authority (the "Authority"). Proceeds of the debt issuance will be used with other funds to current refund/redeem a portion of the outstanding Series 2002 Bonds, pay the call premium associated with the redemption, pay accrued interest due on the redeemed Series 2002 Bonds, and pay for issuance costs. 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. Since the original issue date, $10,275,000 of scheduled principal payments have been made and therefore $44,725,000 of the Series 2002 Bonds currently remain outstanding. Approximately $3.74 million remains in the debt service reserve fund. The remaining outstanding Series 2002 Bonds have interest rates that vary from 5.0% to 5.5% (5.46% average). 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 with a 1% premium.

The Proposed Siemens Loan

As noted earlier, Siemens Public, Inc. is willing to purchase $25,000,000 of debt from the Authority. The debt will have a fixed cost of interest which will be determine shortly before the closing of the transaction based upon a an agreed upon formula. The fixed interest rate would be approximately 3.73% under current market conditions. The proposed debt will have a final maturity of September 1, 2023, and the debt maybe redeemed at the option of the Authority at any time beginning on September 1, 2015. 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 $97,750 (or 0.4% of the amount of debt issued).

The Transaction

Currently, the Authority is attempting to obtain all approvals in order to close the transaction on April 9, 2013. The following table shows the estimated sources and uses of a transaction closing on April 9, 2013, and includes:

- The release of a 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 partial refunding of the Series 2002 Bonds,
- Accrued interest due on the Series 2002 Bonds redeemed through April 9, 2013,
- The 1% call premium due on the Series 2002 Bonds redeemed, and
- A transfer of funds from the Authority to pay a portion of the accrued interest due on the refunded bonds at closing and to pay a small portion of issuance costs

Sources of Funds:	
Debt Proceeds	\$25,000,000.00
Authority Contribution	36,787.69
Partial Release of Series 2002 Reserve Fund	2,289,225.00
Release of Other Trustee Held Funds	588,119.74
	\$27,914,132.43

Uses of Funds:	
Redemption of Series 2002 Bonds	\$27,385,000.00
1% Premium for Redemption	273,850.00
Accrued Interest Due on Redeemed Bonds	157,532.43
Issuance Costs	97,750.00
	\$27,914,132.43

Including all sources of funds generated, the proposed transaction will allow the Authority to redeem \$27,385,000 or 61.2% of the Series 2002 Bonds.

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 plays approximately \$2.29 million in debt service per year[1] on the \$27.385 million of Series 2002 Bonds to be refunded. By executing the proposed transaction, the Authority will pay approximately \$1.86 million per year[1] in debt service on the proposed debt (on average assuming a 3.73% interest rate), a savings of roughly \$400,000 per full year. Total cash flow savings over the ten year life of the proposed debt would be roughly \$3.68 million (after appropriately reducing the total annual debt service savings for the funds released by the trustee).

[1] Not including partial years or the year of the final maturity.