



CABINET FOR ECONOMIC DEVELOPMENT

Andy Beshear
Governor

Old Capitol Annex
300 West Broadway
Frankfort, Kentucky 40601

Jeff Noel
Secretary

September 30, 2022

The Honorable Christian McDaniel, Co-Chair
The Honorable Jason Petrie, Co-Chair
Joint Committee on Appropriations and Revenue
Room 160, Capitol Annex
702 Capital Avenue
Frankfort, Kentucky 40601

Dear Senator McDaniel and Representative Petrie:

Pursuant to KRS 45.816, I have enclosed information relative to the costs associated with the issuance of revenue bonds issued by the Kentucky Economic Development Finance Authority (KEDFA) for the Carmel Manor, Inc. (Carmelite System, Inc. Obligated Group Guaranty), Series 2022.

The listing of costs associated with the bond issue is submitted to KEDFA and the Office of Financial Management (OFM) from bond counsel and is commonly referred to as "Exhibit B" (see attached form). The Commonwealth is not responsible for the payment of costs for the revenue bond issue; however, KRS 45.816 requires the cost information to be furnished to the Capital Projects and Bond Oversight Committee (CPBOC) and the Interim Joint Committee on Appropriations and Revenue.

If you have any questions or if I can be of assistance to you, please contact me at (502) 782-1987.

Sincerely,

Katie Smith
Deputy Secretary and Commissioner

Enclosure

cc: Jennifer Hays

KEDFA NEW BOND ISSUE REPORT

Name of Issue: \$17,140,000 Kentucky Economic Development Finance Authority Healthcare Facilities Refunding Revenue Bonds, Series 2022, Carmel Manor, Inc. Project (The Carmelite System, Inc. Obligated Group Guaranty ("Bonds")).

Name of project(s) covered by Issue: Carmel Manor, Inc. Project, (Carmelite System, Inc. Obligated Group Guarantee)

Purpose of Issue: The purpose of the Bonds is to (i) refinance the 2015 Bonds issued by KEDFA for the benefit of Carmel Manor, Inc. (the "Borrower"), which 2015 Bonds financed the acquisition, construction, renovation, relocation and equipping of long term care, memory care and rehabilitation units (the "Project"), located on the campus of the Borrower at 100 Carmel Manor Road, Ft. Thomas, Kentucky 41075, and (ii) pay costs of issuance of the Bonds.

Size: \$17,140,000

Date of Sale: September 22, 2022

Date of Issue: September 29, 2022

Maturity: October 1, 2027

Ratings: Borrower: None
Carmelite System Obligated Group: "BBB+" by Fitch

Security: Gross revenues pledge by the Borrower.

Guarantee of debt service on the Bonds by The Carmelite System, Inc., with such Guaranty secured with a master note representing the joint and several payment liability of the Carmelite System Obligated Group, consisting of the following sponsored entities of the Carmelites Sisters for the Aged and Infirm (the "Sisters" or the "Sponsor"):

- The Carmelite System, Inc.
- Carmel Terrace, Inc.
- Saint Margaret Hall, Incorporated
- Saint Patrick's Residence
- Saint Patrick's Manor, Inc.

- Kahl Home for the Aged and Infirm
- Lourdes-Noreen McKeen Residence for Geriatric Care, Inc.
- Mother Angeline McCrory Manor, Inc.
- The Villas at St. Therese, Inc.

The Guarantee is a joint and several obligation of the members of the Carmelite System Obligated Group pursuant to a Master Trust Indenture, and such Guarantee will be secured by a gross revenues pledge of the members of the Carmelite System Obligated Group.

The Borrower is also an affiliate of the Sponsor and the Carmelite System Obligated Group.

Date authorizations(s): June 30, 2022 (KEDFA Resolution)
June 6, 2022 (City of Fort Thomas local approval)

Refunding Deposits:	\$16,797,102.72
Plus: Issuance Cost	\$566,798.12
Plus: Additional Proceeds	<u>\$97.28</u>

GROSS PROCEEDS (incl. equity contribution): \$17,363,998.12

Terms of issue: 5 Years **Net interest rate:** 4.500% (NIC = 5.000707%)

Length of term: Final maturity: 10/1/2027

Gross debt service amount: \$21,000,785

Average annual debt service: \$ 772,157¹

First call date: 10/1/2024

Premium at first call: 100%

Method of sale: Negotiated

Purchasers: Institutional and Accredited Investors

1) Excludes Principal payment at maturity

Professional Services*

<u>Payee Name/Address*</u>	<u>Participation</u>	Fees, commissions, or any other economic benefits received or anticipated to be received
Kentucky Economic Development Finance Authority Old Capitol Annex 300 West Broadway Frankfort, KY 40601	Issuance Fee	\$10,000
Cain Brothers	Underwriter's Discount/Expenses	\$202,745.95
Nixon Peabody LLP	System Counsel Fee	\$60,000
Ice Miller LLP	Bond Counsel Fee and Expenses	\$77,889.67
Clifton Larson Allen	Examined Forecast	\$43,837.50
Harris Beach PLLC	Underwriter's Counsel Fee	\$50,000
Dressman Benzinger LaVelle PSC	Local Borrower's Counsel	\$25,350
Carmelite System, Inc.	System Management Fee	\$40,000
Stites & Harbison, PLLC	Issuer's Counsel Fee	\$20,000
Tucker Ellis LLP	Trustee Counsel	\$1,975
U.S. Bank N.A.	Master and Bond Trustee	\$5,000
Fitch	Rating Agency	\$30,000

* Payees listed shall include issuers, underwriters, placement agents and advisors, financial advisors, remarketing agents, credit enhancers, trustees, accountants, and the counsel of all such persons, bond counsel, special tax counsel, and any other persons receiving financing benefit from the issuance of revenue bonds or notes.

All costs of issuance paid from Bond proceeds.

Note: Changes or additions in amounts or names of payees or recipients shall be furnished to the Capital Projects and Bond Oversight Committee and the Interim Joint Committee on Appropriations and Revenue, and shall be made available to the public, within three (3) days following such change or addition.

SOURCES AND USES¹ (Preliminary, subject to change; see attachment)

Sources:	Bond Proceeds	\$17,140,000.00
	Equity Contribution for COI	<u>223,998.12</u>
	Total Sources	\$17,363,998.12

Debt Service:

<i>Period Ending</i>	<i>Principal</i>	<i>Coupon</i>	<i>Interest</i>	<i>Debt Service</i>
12/31/2023			775,585	775,585
12/31/2024			771,300	771,300
12/31/2025			771,300	771,300
12/31/2026			771,300	771,300
12/31/2027	17,140,000	4.500%	771,300	17,911,300
	17,140,000		3,860,785	21,000,785

Uses:	Refunding Series 2015 Bonds	\$16,797,102.72
	Cost of Issuance	566,798.12
	Additional Proceeds	97.28
	Total Uses	\$17,363,998.12

FOR REFUNDING ONLY

Bond issue being refinanced: Kentucky Economic Development Finance Healthcare Facilities Revenue Bonds, Series 2015 (Carmel Manor, Inc.)

Amount of principal outstanding: \$16,750,000 **Amount to be refunded:** \$16,750,000 +
Accrued Interest

Terms of existing bond issue: Existing bonds are held by a commercial bank in a "bank direct purchase" transaction.

Net interest rate: Variable interest rate based on monthly reset of 1 Month LIBOR rate **Length of term:** Final maturity 04/01/2047

First call date: Currently callable **Call at par:** Currently callable at par

Average annual debt service: \$1,012,928

REFUNDING ACTIVITY

Funds to apply to refunding:	\$16,797,102.72
Proceeds from New Bonds	-0-
Released Debt Service Reserve	-0-
Total Available to Pay Old Bond Issue	\$16,797,102.72

SAVINGS RESULTING FROM REFINANCING

The refinancing will provide cash flow relief to the Borrower for the next five years and is intended to take advantage of fixed rates to eliminate burdensome bank covenants and “renewal risk” given the current short-term ownership period of the current bond holders.

Average annual debt service savings: \$240,771 (through 5-year interest only period; excludes principal payment due at maturity)

Number of years savings will accrue: N/A

Total present value savings: N/A
