



CABINET FOR ECONOMIC DEVELOPMENT

Matthew G. Bevin
Governor

Old Capitol Annex
300 West Broadway
Frankfort, Kentucky 40601
ThinkKentucky.com

Terry R. Gill, Jr.
Secretary

August 23, 2018

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

Dear Senator McDaniel and Representative Rudy:

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 Baptist Healthcare System Obligated Group Project, Series 2018A.

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
Commissioner

Enclosure

cc: Jennifer Hays

KEDFA BOND INFORMATION FORM

Name of Issue: Kentucky Economic Development Finance Authority Taxable Hospital Revenue Refunding Bonds, Series 2018A (Baptist Healthcare System Obligated Group)

Name of project(s) covered by Issue: Refunding of costs of various existing Baptist Healthcare System Projects – See Exhibit A

Purpose of Issue: The 2018A Bonds are being issued to (i) refund all of the outstanding Kentucky Economic Development Finance Authority Hospital Revenue Bonds, Series 2009A (Baptist Healthcare System Obligated Group), currently outstanding in a total principal amount of \$62,155,000 (the “2009A Bonds”); (ii) refund all of the outstanding Kentucky Economic Development Finance Authority Hospital Revenue Bonds, Series 2017C (Baptist Healthcare System Obligated Group), currently outstanding in a total principal amount of \$65,245,000 (the “2017C Bonds”) (the 2009A Bonds and the 2017C Bonds, collectively, the “Prior Bonds”); and (iii) pay costs of issuance of the 2018A Bonds and of the Refunding.

Size: \$128,980,000

Date of Sale: August 9, 2018
Date of Issue: August 17, 2018
Maturity: August 15, 2048

Ratings: Baa1 (Moody’s) / A (Fitch)
Security: Master Trust Indenture Obligation of Baptist Healthcare System, secured by a pledge of revenues of the Baptist Health Obligated Group

Date authorization(s): June 28, 2018 (KEDFA approval)
 July 10, 2018 (State Property and Buildings Commission)
 July 18, 2018 (Capital Projects and Bond Oversight Committee)
 August 14, 2018 (Office of Financial Management of the Finance and Administration Cabinet)

Net Proceeds for Refunding:	\$127,403,503.20
Plus: Issuance Costs	<u>1,576,496.80</u>
GROSS PROCEEDS:	\$128,980,000.00

Terms of issue: **Net interest rate:** 5.09%

Length of term: 30 years

Gross debt service amount: \$325,470,432.74
Average annual debt service: \$ 10,851,023.87

First call date: Any date* **Premium at first call:** None*
Security: See above
Method of sale: Negotiated
Purchasers: Merrill Lynch, Pierce, Fenner & Smith Incorporated (Bank of America
Merrill Lynch)
Goldman Sachs & Co. LLC

***Optional Redemption Terms:**

The Bonds are subject to redemption prior to maturity at the option of the Authority (which option shall be exercised upon Request of the Obligated Group Agent given to the Bond Trustee (unless waived by the Bond Trustee) at least twenty-five (25) days prior to the date fixed for redemption), (unless waived by the Bond Trustee in its sole discretion)), from any source of available funds, in whole or in part (in such amounts and maturities and within such maturities as may be specified by the Obligated Group Agent or, if the Obligated Group Agent fails to specify such maturities, in inverse order of maturity), by lot within a maturity, on any date at the Make-Whole Redemption Price applicable to such Bonds, together with accrued interest thereon to the redemption date.

The Obligated Group Agent shall retain an independent accounting firm or a financial advisor to determine the Make-Whole Redemption Price, if any, of the Bonds to be redeemed and perform all actions and make all calculations required to determine such Make-Whole Redemption Price. The Bond Trustee and the Obligated Group Agent may conclusively rely on such accounting firm's or financial advisor's calculations in connection with, and its determination of, the Make-Whole Redemption Price, and neither the Bond Trustee nor the Obligated Group Agent shall have any liability for such reliance.

The following definitions apply to the above optional redemption terms:

“Comparable Treasury Issue” means with respect to the Bonds, the United States Treasury security or securities selected by a Designated Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Bonds to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of the Bonds.

“Comparable Treasury Price” means, with respect to any redemption date, with respect to the Bonds, the average of the Reference Treasury Dealer Quotations for such redemption date, excluding the highest and lowest of such Reference Treasury Dealer Quotations, or if the Designated Investment Banker obtains only one Reference Treasury Dealer Quotation, such Reference Treasury Dealer Quotation.

“Designated Investment Banker” means one of the Reference Treasury Dealers appointed by the Obligated Group Agent.

“Make-Whole Redemption Price” means the greater of (1) 100% of the principal amount of any Bonds being redeemed; or (2) the sum of the present values of the applicable remaining scheduled payments of principal and interest on any Bonds being redeemed (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 30 basis points for the Bonds.

“Redemption Price” means, as applicable, with respect to any Bond (or portion thereof), (i) the Make-Whole Redemption Price or (ii) the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and this Bond Indenture.

“Reference Treasury Dealer” means one or more entities appointed by the Obligated Group Agent, which in each case, is a primary United States government securities dealer in the city of New York, New York, and its, or their, respective successors.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for the Bonds, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the applicable Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day preceding such redemption date. “Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) with respect to the Bonds, of the Comparable Treasury Issue with respect thereto, computed as of the second Business Day immediately preceding such redemption date, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

“Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) with respect to the Bonds, of the Comparable Treasury Issue with respect thereto, computed as of the second Business Day immediately preceding such redemption date, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Professional Services

Pursuant to the provisions of KRS Chapter 47, Baptist Health is providing information on all costs associated, either directly or indirectly, with the issuance of revenue bonds or notes.

Agency: Kentucky Economic Development Finance Authority
 Issue: Taxable Hospital Revenue Refunding Bonds, Series 2018A (Baptist Healthcare System Obligated Group)

<u>Payee Name/Address*</u>	<u>Participation</u>	<u>Fees, commissions, or any other economic benefits received or anticipated to be received</u>
Kentucky Economic Development Finance Authority Old Capitol Annex 300 West Broadway Frankfort, KY 40601	Issuance Fee	\$10,000
Hall, Render, Killian, Heath & Lyman, P.C. 500 North Meridian St., Suite 400 Indianapolis, IN 46204	Bond Counsel Fee and Expenses	\$150,000
Stoll Keenon Ogden PLLC 500 West Jefferson Street Suite 2000 Louisville, KY 40202	Borrower Counsel Fee and Expenses	\$95,000
U.S. Bank National Association One Financial Square Louisville, KY 40202	Trustee's Fee	\$9,750
Stites & Harbison PLLC 400 West Market Street, Suite 1800 Louisville, KY 40202	Issuer's Counsel Fee and Expenses	\$27,500
Hammond Hanlon Camp LLC 623 Fifth Avenue, 29 th Floor New York, NY 10022	Financial Advisory Fee	\$270,960
Senior Manager Bank of America Merrill Lynch One Bryant Park New York, NY 10036	Underwriters' Discount	\$450,785
Co-Manager Goldman Sachs & Co, LLC 200 West Street New York, NY 10282	Underwriters' Discount	\$150,261

Chapman and Cutler LLP 111 West Monroe Street Chicago, IL 60603	Underwriters' Counsel Fee and Expenses	\$100,000
Deloitte & Touche LLP 220 West Main Street, Suite 2100 Louisville, KY 40202	Accountant's Fee	\$75,967
Moody's Investors Service 7 WTC at 250 Greenwich Street New York, NY 10007	Rating Fee	\$75,000
Fitch Ratings 33 Whitehall Street New York, NY 10004	Rating Fee	\$90,000
ImageMaster 1182 Oak Valley Drive Ann Arbor, MI 48108	Printing Fee	\$4,596
Misc/Contingency	Misc.	\$20,181

* 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.

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 USES (See attached)

Sources:	Bond Proceeds	\$128,980,000.00
	Total Sources	<u>\$128,980,000.00</u>

Debt Service: (See attached)

Uses:	Refunding of 2017C Bonds	\$ 65,245,000.00
	Refunding of 2009A Bonds	\$ 62,155,000.00
	Costs of Issuance	\$ 1,576,496.80
	Rounding	\$ <u>3,503.20</u>
	Total Uses	<u>\$128,980,000.00</u>

FOR REFUNDING ONLY

Bond issue being refinanced: (i) all of the outstanding Kentucky Economic Development Finance Authority Hospital Revenue Bonds, Series 2017C (Baptist Healthcare System Obligated Group) and (ii) all of the outstanding Kentucky Economic Development Finance Authority Hospital Revenue Bonds, Series 2009A (Baptist Healthcare System Obligated Group)

Amount of principal:	Same as to be refunded -->	Amount to be refunded:	2017C = 65,245,000.00 2009A = 62,155,000.00
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Terms of existing bond issue:

Net interest rate:	2017C = LIBOR + 0.25% 2009A = 5.47%	Length of term:	2017C = 3 months 2009A = approx. 3 years
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First call date:	2017C = Any date 2009A = 8/15/2018	Call at par:	2017C = Any date 2009A = 8/15/2018
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Average annual debt service	2017C = currently interest only 2009A = \$ 8,716,507.22
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REFUNDING ACTIVITY

Funds to apply to refunding:	\$0.00
Proceeds from New Bonds:	\$127,400,000.00
Released Debt Service Reserve:	<u>\$0.00</u>
Total Available to Pay Old Bond Issue:	\$127,400,000.00

SAVINGS RESULTING FROM REFINANCING

Average annual debt service savings:	N/A
Number of years savings will accrue:	N/A
Total present value savings:	N/A

Note: The Bonds are being issued as Taxable Revenue Refunding Bonds in order to extend the maturity and re-structure the debt service payments on the Bonds to provide cash flow savings to Baptist Health and to appropriately position Baptist Health's entire debt portfolio.

EXHIBIT A

PRIOR BONDS TO BE REFUNDED

The Prior Bonds will be refunded with a portion of the proceeds of the Bonds.

PRIOR PROJECTS

Proceeds of the Prior Bonds were used to finance and refinance all or any portion of the purchase, acquisition, construction, enlargement, remodeling, renovation, improvement, furnishing or equipping of the hospitals, other health facilities, and their related facilities, including land, owned or operated by Baptist Health or its affiliates and generally located at the addresses, all as described below:

1. Baptist Health Corbin, generally located at 1 Trillium Way, Corbin, Whitley County, Kentucky (\$15,000,000 maximum principal amount).
 - a. Acquisition, construction or renovation of behavioral health facilities, HVAC systems, plumbing systems, surgical centers and medical and office equipment and furnishings.
2. Baptist Health LaGrange, generally located at 1025 New Moody Land, LaGrange, Oldham County, Kentucky (\$30,000,000 maximum principal amount).
 - a. Acquisition, construction or renovation of facility safety systems, laboratory facilities, HVAC equipment, emergency and patient room improvements and medical and office equipment and furnishings.
3. Baptist Health Lexington, generally located at 1740 Nicholasville Road, Lexington, Fayette County, Kentucky (\$50,000,000 maximum principal amount).
 - a. Acquisition, construction or renovation of a two-story tower addition, power plant upgrades, laboratories, operating rooms, HVAC equipment, emergency systems, medical and office equipment and furnishings and other general facility improvements.
4. Baptist Health Paducah, generally located at 2501 Kentucky Avenue, Paducah, McCracken County, Kentucky (\$15,000,000 maximum principal amount).
 - a. Acquisition, construction or renovation of facilities for cardiovascular services, women's health services, diagnostic imaging services, chaplain services, safety system upgrades, and medical and office equipment and furnishings.

5. Baptist Health Louisville, generally located at 4000 Kresge Way, St. Matthews, Jefferson County, Kentucky (\$15,000,000 maximum principal amount).
 - a. Acquisition, construction or renovation of a patient bed and surgery tower, cardiovascular facilities, diagnostic imaging facilities, pediatric facilities, HVAC systems and related equipment, north building renovations and medical and office equipment and furnishings.

6. Baptist Health Support Services, generally located at 4007 Kresge Way, St. Matthews, Jefferson County, Kentucky (\$20,000,000 maximum principal amount).
 - a. Acquisition, construction or renovation of facility safety equipment and medical and office equipment and furnishings.

SOURCES AND USES OF FUNDS

Baptist Healthcare System
Series 2018A Financing
Final Numbers
Priced 8-9-18
Make-Whole Call at UST + 30

Sources:	Refunding of 2017C Bridge Loan	Refunding of remaining 2009A Bonds	Total
Bond Proceeds:			
Par Amount	66,055,000.00	62,925,000.00	128,980,000.00
	66,055,000.00	62,925,000.00	128,980,000.00
Uses:	Refunding of 2017C Bridge Loan	Refunding of remaining 2009A Bonds	Total
Refunding Escrow Deposits:			
Cash Deposit	65,245,000.00	62,155,000.00	127,400,000.00
Cost of Issuance:			
Costs of Issuance	499,560.78	475,889.22	975,450.00
Underwriter's Discount:			
Average Takedown	297,247.50	283,162.50	580,410.00
Expenses	10,568.80	10,068.00	20,636.80
	307,816.30	293,230.50	601,046.80
Other Uses of Funds:			
Additional Proceeds	2,622.92	880.28	3,503.20
	66,055,000.00	62,925,000.00	128,980,000.00

BOND DEBT SERVICE

Baptist Healthcare System
Series 2018A Financing
Final Numbers
Priced 8-9-18
Make-Whole Call at UST + 30

Period Ending	Principal	Coupon	Interest	Debt Service
08/15/2019	-	-	6,514,500.36	6,514,500.36
08/15/2020	-	-	6,550,894.22	6,550,894.22
08/15/2021	-	-	6,550,894.22	6,550,894.22
08/15/2022	-	-	6,550,894.22	6,550,894.22
08/15/2023	-	-	6,550,894.22	6,550,894.22
08/15/2024	-	-	6,550,894.22	6,550,894.22
08/15/2025	-	-	6,550,894.22	6,550,894.22
08/15/2026	-	-	6,550,894.22	6,550,894.22
08/15/2027	-	-	6,550,894.22	6,550,894.22
08/15/2028	-	-	6,550,894.22	6,550,894.22
08/15/2029	-	-	6,550,894.22	6,550,894.22
08/15/2030	-	-	6,550,894.22	6,550,894.22
08/15/2031	-	-	6,550,894.22	6,550,894.22
08/15/2032	-	-	6,550,894.22	6,550,894.22
08/15/2033	-	-	6,550,894.22	6,550,894.22
08/15/2034	-	-	6,550,894.22	6,550,894.22
08/15/2035	-	-	6,550,894.22	6,550,894.22
08/15/2036	-	-	6,550,894.22	6,550,894.22
08/15/2037	-	-	6,550,894.22	6,550,894.22
08/15/2038	-	-	6,550,894.22	6,550,894.22
08/15/2039	-	-	6,550,894.22	6,550,894.22
08/15/2040	-	-	6,550,894.22	6,550,894.22
08/15/2041	-	-	6,550,894.22	6,550,894.22
08/15/2042	-	-	6,550,894.22	6,550,894.22
08/15/2043	-	-	6,550,894.22	6,550,894.22
08/15/2044	-	-	6,550,894.22	6,550,894.22
08/15/2045	-	-	6,550,894.22	6,550,894.22
08/15/2046	-	-	6,550,894.22	6,550,894.22
08/15/2047	-	-	6,550,894.22	6,550,894.22
08/15/2048	128,980,000	5.079%	6,550,894.22	135,530,894.22
	128,980,000		196,490,432.74	325,470,432.74



MATTHEW G. BEVIN
Governor

Commonwealth of Kentucky
FINANCE AND ADMINISTRATION CABINET
Office of Financial Management
702 Capital Avenue
Suite 76
Frankfort, Kentucky 40601
(502) 564-2924
(502) 564-7416 Facsimile

WILLIAM M. LANDRUM III
Secretary

RYAN BARROW
Executive Director

August 24, 2018

William E. Summers, V
Chairman
Kentucky Housing Corporation
1231 Louisville Road
Frankfort, KY 40601-6191

Dear Chairman Summers:

This letter will advise that the Office of Financial Management ("OFM") of the Finance and Administration Cabinet has reviewed and is hereby approving the issuance of the Kentucky Housing Corporation Multifamily Housing Revenue Bonds (Henry Greene Apartments Project), Series 2018 in a principal amount of \$8,200,000 (the "Bonds"). The Bonds, by their terms, provide that payment of principal and interest thereon are not an obligation of the Commonwealth of Kentucky or its departments or agencies.

Pursuant to OAG 83-453, OFM has restricted its review and approval process to reviewing certain documents incidental to the issue and to obtaining assurance that the documents include language which provides that the Bonds and interest thereon shall not be deemed to constitute a debt, liability or obligation of the Kentucky Housing Corporation ("KHC") or the Commonwealth of Kentucky or any political subdivision thereof. OFM notes that the approval of this issue by the Capital Projects and Bond Oversight Committee ("CPBO") occurred on October 17, 2017. The attached includes a finalized listing of costs related to the issuance of the Bonds pursuant to KRS 45.816.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ryan Barrow".

Ryan Barrow
Executive Director

Attachments

FINAL BOND ISSUE REPORT

Name of Bond Issue: Kentucky Housing Corporation Tax-Exempt Conduit Multifamily Housing Revenue Bonds (Henry Greene Apartments Project), Series 2018

Purpose of Issue: The bonds will be used to finance the acquisition, rehabilitation and equipping of the Henry Greene Apartments Project, a two hundred and sixteen unit property located at 1005 W. Jefferson Street, Louisville, Kentucky 40203. The Kentucky Housing Corporation has conducted a public hearing concerning the proposed project on October 16, 2017 following the delivery of notice to the public on September 29, 2017.

Name of Project: Henry Greene Apartments

Date of Sale: August 7, 2018

Date of Issuance: August 10, 2018

Ratings: AA+ (S&P)

Net Proceeds: \$8,200,000

Cost of Issuance: See Exhibit A attached (costs of issuance paid from owner equity)

Debt Service Reserve Fund: \$0, but a \$566,098 operating reserve will be funded from equity.

Insurance Premium: N/A

Total Project Cost: \$17,390,252

Term: 3 years

Net Interest Rate: 2.00%

Average Debt Service: \$164,000

Gross Debt Service: \$8,692,000

First Call Date: September 1, 2020

Premium at First Call: No premium

Method of Sale: Public Offering

Bond Counsel: Dinsmore & Shohl LLP

Underwriter: Citigroup Global Markets Inc.

Underwriter Counsel: Norris, George & Ostrow PLLC

Financial Advisor: N/A

Trustee: U.S. Bank, National Association

Developer: Allied Real Estate Partners, LLC

Exhibit A

Project Funding Sources:

Cash Flow During Construction	\$ 471,204
Existing Reserves	941,857
Tax Credit Equity	5,102,429
Deferred Developer Fee	1,489,362
Permanent Mortgage Loan	<u>9,385,400</u>
TOTAL	\$ 17,390,252

Costs of Issuance:

Bond Counsel Legal Fees	\$ 58,000
Rating Agency Fees	5,000
Underwriter Fees	50,700
KHC Issuer Fee	52,500
KHC Issuer Counsel	12,500
KHC Admin Fee	5,000
Borrower Counsel	39,500
Consultant Fee	1,500
LAHTF Counsel	21,500
Trustee Fee	7,500
Underwriter Counsel	35,000
Verification Agent	1,500
Public Hearing	<u>1,000</u>
TOTAL	\$ 291,200