

## ROSE LAW FIRM

A PROFESSIONAL ASSOCIATION

ATTORNEYS

120 EAST FOURTH STREET  
LITTLE ROCK, ARKANSAS 72201

TELEPHONE (501) 375-9131

TELECOPIER (501) 375-1309

U. M. ROSE

1834-1913

March 1, 1988

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J. GASTON WILLIAMSON  
OF COUNSEL

Mayor Herbert Brodell  
City of Jonesboro  
City Hall  
P. O. Box 580  
Jonesboro, Arkansas 72403

Re: St. Bernards Regional Medical Center

Dear Mayor Brodell:

This letter is submitted at the request of Mr. Ben Owens, President of St. Bernards Hospital, Inc., the not-for-profit corporation which owns St. Bernards Regional Medical Center. I understand Ben has talked to you about this matter in general.

In 1982, the City of Jonesboro, Arkansas Residential Housing Facilities and Health Care Board issued \$12,750,000 Hospital Revenue Bonds (St. Bernards Regional Medical Center), Series 1982, to provide funds to St. Bernards for an expansion and refinancing of existing debt of the corporation. The bonds were issued at interest rates varying from 7.5% to 11.5%. Since that time, there has been a substantial improvement in the interest rate market, and St. Bernards desires to refinance the existing bond issue.

I am also writing to the members of the Facilities Board, of which Fred Dacus serves as Chairman. It is expected that the Board will be anxious to assist St. Bernards in reducing its cost of operations by providing for the issuance of refunding bonds.

Since 1982, a change has been made in both the state and federal law affecting the issuance of tax-exempt bonds which requires that a public hearing be held before the elected governmental body having supervision over the Facilities Board, which, of course, is the City Council of the City of Jonesboro.

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The law provides that a public hearing be held on the issuance of the bonds before the City Council, and that a 14-day notice be published of that public hearing. I have sent the form of notice directly to the newspaper with the request that it published on either March 4 or March 5, as soon as circumstances permit. That will enable the 14 days to commence running. I would appreciate your consulting with the City Council at its meeting on March 7 and obtaining their agreement that the public hearing be held on March 21.

If, for any reason, it is not appropriate to hold the hearing on March 21, we can arrange to revise the newspaper notice and have it published again.

I have enclosed with this letter a short statement describing the nature of the transaction which is proposed and the form of resolution which we would ask that the City Council approve. I have provided sufficient copies for all of your aldermen and would appreciate your providing it to them as soon as it is convenient.

Should you have any question at all, please feel free to call me. I am also providing a copy of this information to Ben Owens and to the members of the Facilities Board.

Very truly yours,



George E. Campbell

GEC:lg  
cc: Ben Owens  
Fred Dacus  
Board Members

SUMMARY OF PROPOSED REFUNDING BOND ISSUE  
FOR ST. BERNARDS REGIONAL MEDICAL CENTER

The City of Jonesboro, Arkansas Residential Housing and Health Care Facilities Board issued its \$12,750,000 Hospital Revenue Bonds (St. Bernards Regional Medical Center), Series 1982, dated November 1, 1982, in order to provide permanent financing for the construction of additions and improvements to St. Bernards Regional Medical Center and to refinance certain outstanding indebtedness of St. Bernards Hospital, Inc., the not-for-profit corporation which owns and operates the Medical Center. The Series 1982 Bonds bore interest rates varying from 7.5% to 11.5%. The interest rate market for such hospital revenue bonds has improved materially since late 1982, when the earlier bonds were issued.

The Medical Center has engaged Shearson Lehman Hutton, Inc., a national investment banking firm, to advise it with respect to refinancing the Series 1982 Bonds. This firm has advised the Medical Center that it could obtain substantial interest savings on its debt service by issuing refunding bonds which, under recent market conditions, might result in a reduction of the average interest rate from 11.325% to an average as low as 7.6%.

In addition, a refunding would permit certain other revisions to the bond documents that would provide greater flexibility to the Medical Center in the use of its funds and the financing of additional improvements.

It is proposed that the Facilities Board authorize a refunding bond issue. The proceeds of the refunding bond issue, together with other funds that may be made available by the Medical Center, would be used to purchase United States Treasury obligations, or other obligations guaranteed by the United States of America which would be placed in an irrevocable escrow fund to pay the Series 1982 Bonds. This technique is called an "advance refunding." The refunding bonds would be secured by a mortgage on the Medical Center's physical plant and a pledge of its operational revenues.

It is proposed that the refunding be accomplished in such a way that interest on the refunding bonds would be exempt from federal and state income tax to the extent permitted under current federal and state law.

The refunding bonds will be, and the Series 1982 Bonds were, revenue bonds supported solely by the pledge of revenues from the Medical Center and a mortgage on its facilities. Neither the Series 1982 Bonds, nor the proposed revenue bonds, would in any way be a pledge of the credit of the City of Jonesboro or any of its funds. The bonds are analogous to an industrial development revenue bond issue, such as bonds issued under Act 9 of 1960, with which the City is generally familiar.

Federal and state law requires that such bonds be approved (not necessarily issued) by elected representatives of the local government, after reasonable notice to the public has been given and a public hearing conducted with respect to the matter. Provisions have been made to publish notice at a public hearing at least 14 days in advance of the meeting of the Jonesboro City Council of March 21.

Representatives of the Medical Center, and of Rose Law Firm, a Professional Association of Little Rock, Arkansas, which will act as bond counsel for the refunding bonds, will be present at the public hearing to respond to questions from the City Council and from the public.

No bonds will be offered for sale to the public, nor will the Facilities Board take final action toward the issuance of the bonds until the public hearing has been held and the City Council has expressed its approval of the issuance of the bonds.