

PONDER&co
MEMORANDUM

To: Eric M. Peburn
Executive Vice President & Chief Financial Officer
Halifax Health

From: Grant Ostlund

Date: October 28, 2019

RE: Financing Structure for the Medical Center of Deltona

It is anticipated that the financing structure for the Medical Center of Deltona ("MCD") will take the form of a Securities Lending Agreement ("SLA") or Total Return Swap ("TRS") structure as illustrated in the presentation attached. The SLA and TRS similar type of structures executed by different investment banks.

While Shands Teaching Hospital, Halifax Health, and MCD are still in final negotiations with the investment banks, it is anticipating that the structure will generate a variable rate capital cost of the SIFMA Index plus 60 basis points. The SIFMA Index is a composite index of high-grade tax-exempt variable rate demand bonds which are repriced weekly. Currently, the SIFMA Index is 1.19% (as of October 25, 2019) generating a variable rate of 1.79%. The variable rate will reprice periodically over time (monthly is anticipated).

To execute the transaction the investment bank will charge an underwriting/placement fee equal to \$0.50 per \$1,000 bond issued or 0.05% of the par amount of the issue. The total underwriting/placement fee will be approximately \$65,000 based upon the estimated size of the transaction. Additionally, bank counsel fees associated with the transaction are estimated to be \$85,000.



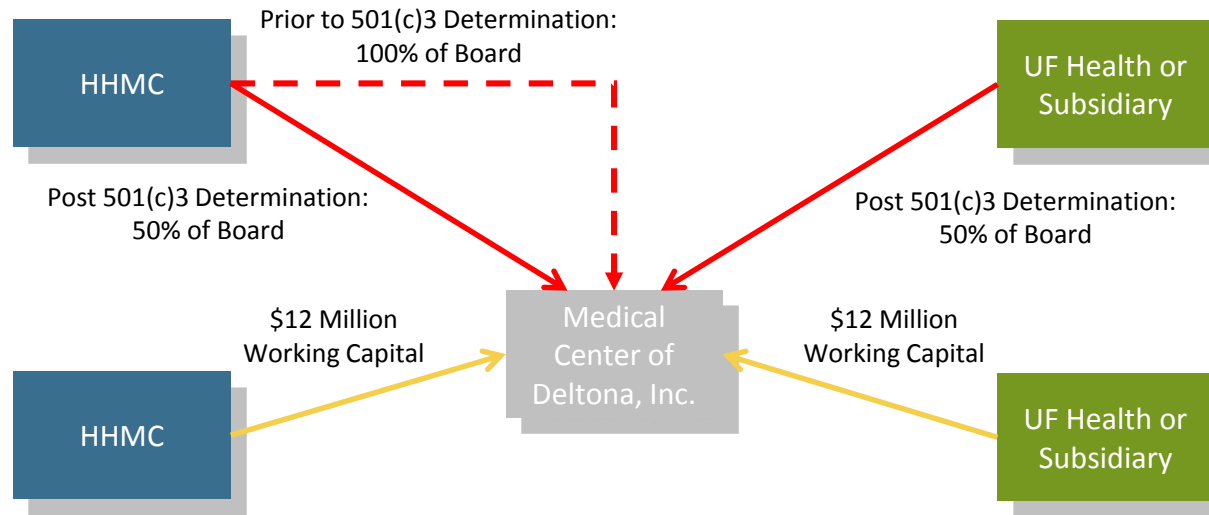
Medical Center of Deltona

Financing Illustration

October, 2019

Organizational Structure Components

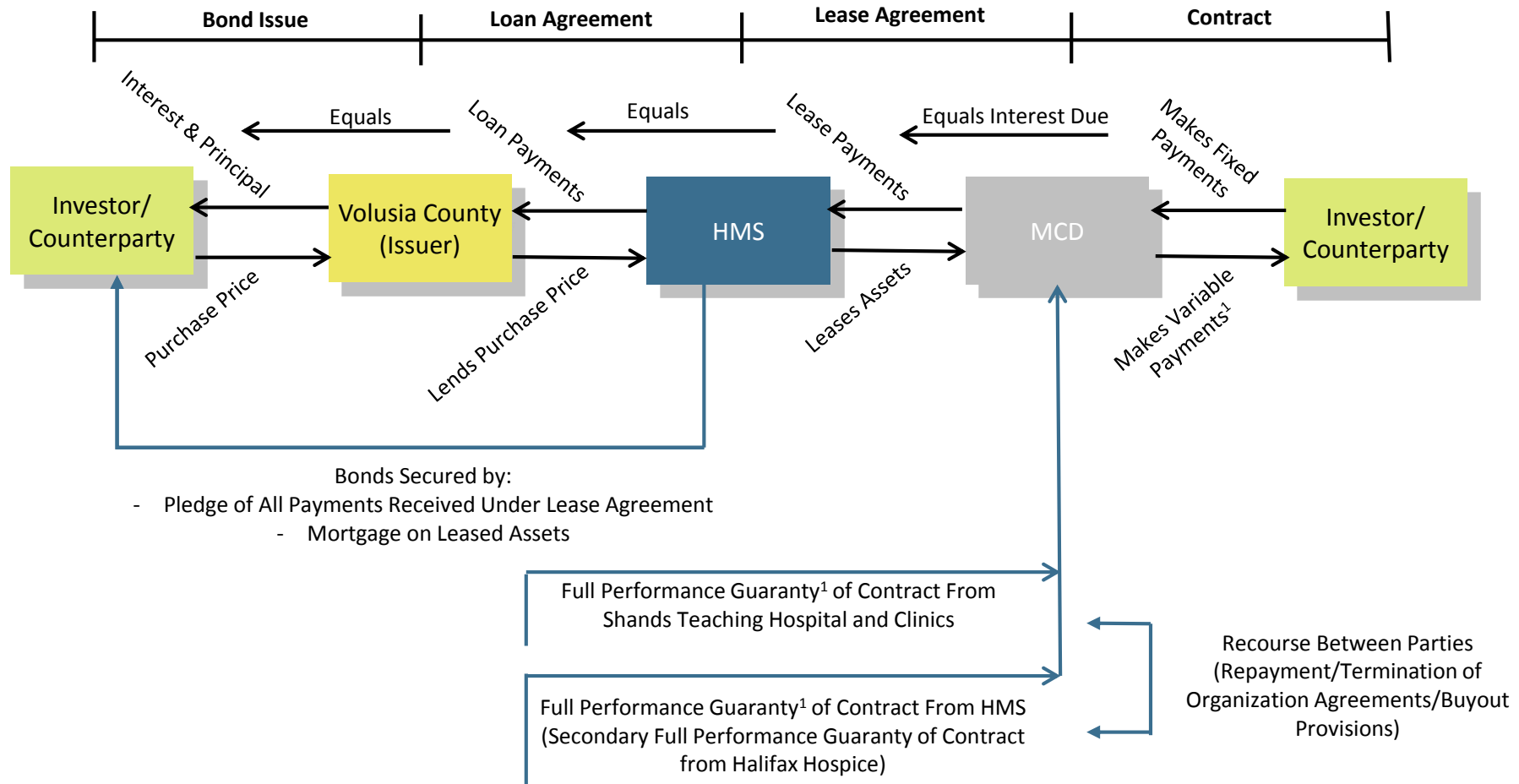
Halifax Health Medical Center (“HHMC”) the sole member of the corporation



- Medical Center of Deltona, Inc. (“MCD”) is instrumentality of HHMC
 - As instrumentality of HHMC, MCD achieves tax-exempt status
- Organizational control
 - HHMC to initially appoint 100% of Board representation
 - Upon receipt of 501(c)3 determination letter
 - HHMC Board representation reduced to 50%
 - UF Health appoints 50% of Board representation
- Working capital to be provided by HHMC and UF Health
 - \$12 million each, \$24 million in total

Financing Structure (Pre-Determination Letter)

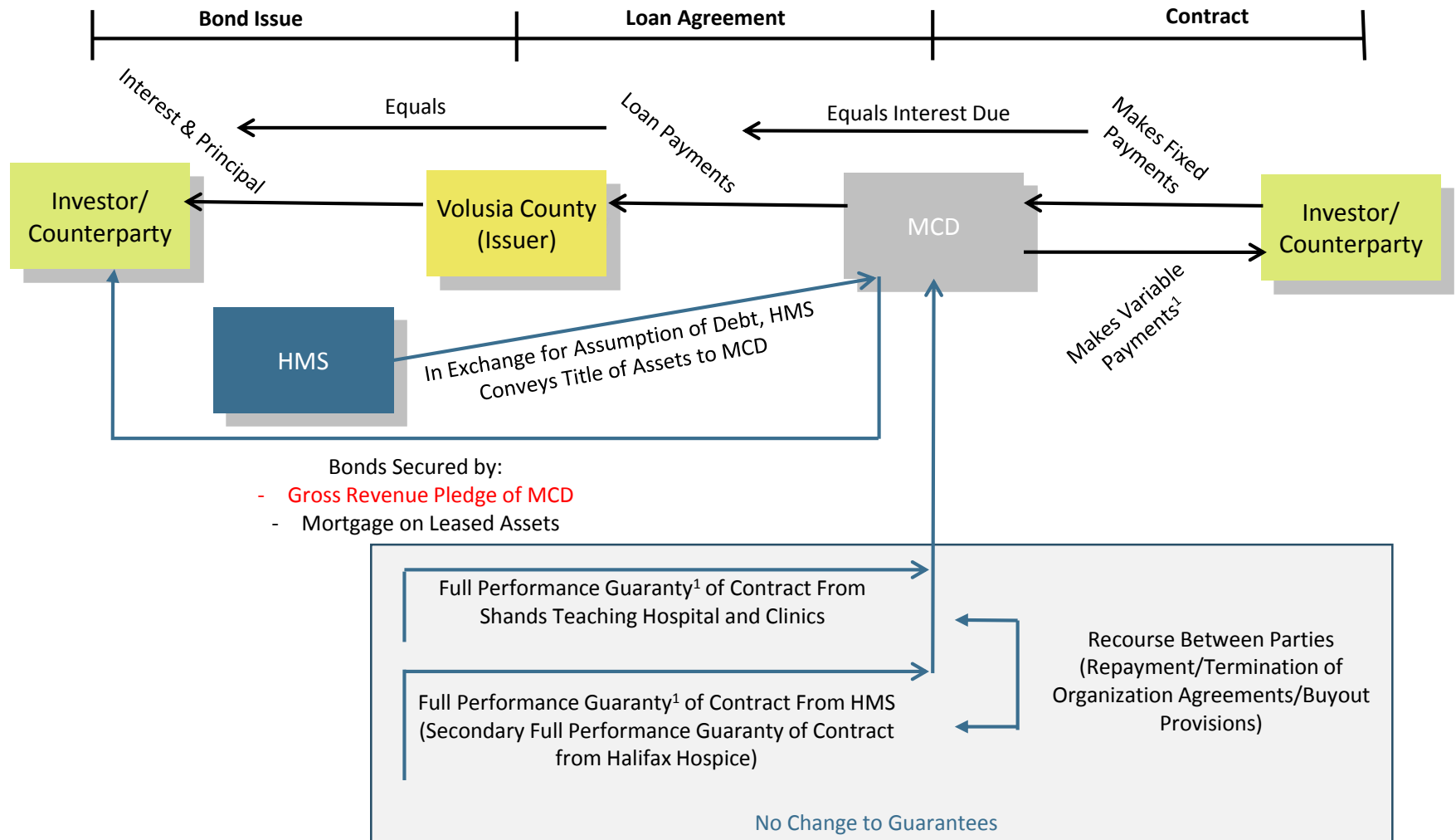
Mortgage and lease payments provide initial security for the bonds



1. Guaranty includes ongoing variable payments under contract and any termination payments. No collateral posting requirements under contract.

Financing Structure (Post-Determination Letter)

Upon 501(c)3 determination, lease agreement terminated and MCD assumes borrower position



1. Guaranty includes ongoing variable payments under contract and any termination payments. No collateral posting requirements under contract.