



HEALTH EDUCATION AUTHORITY OF LOUISIANA

FUNDING FOR BIOMEDICAL RESEARCH, HEALTHCARE AND HEALTH EDUCATIONAL INSTITUTIONS

Public Service
Commission Seat 1
Mr. Charles R. New

Public Service
Commission Seat 2
Ms. Raegan Carter

Public Service
Commission Seat 3
Ms. Gwendolyn Hamilton

Public Service
Commission Seat 4
*Mr. Charles Cravins
Chairman*

Public Service
Commission Seat 5

State-at-Large Seat 1
Ms. Genevieve A. Pope

State-at-Large Seat 2
Ms. Zazell Dudley

State-at-Large Seat 3

State-at-Large Seat 4

Health Education Authority of Louisiana Special Board Meeting - Minutes April 26, 2018 @2pm

Members Present:

Raegan A. Carter - Treasurer
Charles T. Cravins - Chairman
Gwendolyn Hamilton - Secretary
Charles New - Member
Genevieve Pope – Vice Chair

Members Absent:

Zazell Dudley - Member
B. Wayne Brown – Member

Contractors

Aaron Maples, Board Counsel, Kinney, Ellinghausen & DeShazo
Matt Kern, Bond Counsel Jones Walker, LLP
Lauren Dewitt, Bond Counsel Jones Walker, LLP

HEAL Staff:

Nathan Fontaine
Vanessa McKee

Speaking Guests:

Mr. Rick McGimsey, Executive Counsel LA State - Division of Administration
Matthew Valliere, CEO – Care South Medical and Dental
Dr. Joseph Braud – Bayou Acquisitions
Major Tracy Riley (Retired) – Concerned Citizen
Kim P. Ford – Concerned Citizen

Members of the Public Audience

Concerned Citizens, The Governor's Office, Division of Administration, Office of Facility Planning, Office of Finance and Support Services

The meeting was called to order at 2:05pm

Roll call was taken, 5 of 7 seated board members are present and a Quorum is established.

Chairman calls for prayer offered by Mr. Charles New.

Public Comment

Mr. Chairman opens the floor for public comment. Mr. Matthew Valliere, CEO of Care South Medical and Dental tells of the facility's history, growth and his involvement in the process of applying for HEAL Bonds which is his reason for being here today. Mr. Chairman acknowledges Mr. Valliere and the fact that they have been present at all of the board meetings. The chairman

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informs Mr. Valliere that there is a specific item on the agenda (item five) to address the two applicants so as to not limit the discussion to the three-minute public comment rule. Mr. Chairman asks that Mr. Valliere wait for the appropriate agenda item which provides time for further and a more in depth discussion. Then calls for any other public comment. Seeing no one else for public comment, Mr. Chairman moves to the next item on the Agenda.

Consideration and Approval of Cooperative Endeavor Agreement

Mr. Chairman moves to the next item for Consideration and Approval of the Cooperative Endeavor Agreement (CEA) with HEAL and The Division of Administration (The Division). The CEA was discussed at length at last week's meeting where the board asked Mr. McGimsey (The Division) to make changes to the draft that was provided last week. Mr. Chairman believes that Mr. McGimsey has made the requested changes and yields the floor to Mr. McGimsey to read the revisions.

Mr. McGimsey specifies the revisions of the CEA as such "to transfer and assign the management, administration, maintenance and operation from HEAL to the Division". The bottom line of the CEA results in the revenues from the garage which currently come from HEAL, after paying bonds, would come with the CEA to the Division. After polling several agencies within The Division as to what the general cost would be, i.e. taking on two employees with benefits, insurances, accounting services, payment of the audit bills, any legal issues and pending litigation, and the anticipation of working to ensure that APCOA is in compliance with the parking management's agreement required mutual and respective obligations. That, combined that the annual rent payment has already been made to HEAL this year and no additional revenues will come until next February, accept a small payment to come in mid-summer from the residual payments from the Tulane's post bond payment. Factoring all information, The Division came up with a \$400,000 initial transfer amount which The Division thinks is a reasonable number to get to next year when The Division will finally intercept the annual rent payment of about \$220-\$240k.

The term of the CEA is until 2030 when the bonds are paid off and all these the agreements, the parking agreements with APCOA, Tulane, the ground lease that HEAL has with the state will reverts back to the state and The Division in 2030. Mr. McGimsey informs the board that they have the option to cancel the ground lease sooner, which will be reserved for discussion and consideration at a later date. All things being equal with the preparation of the CEA resolution of what it would cost to get The Division involved, up to speed and handling the garage operations.

Mr. Chairman calls for comments from the board. Ms. Hamilton asks the chairman if the board will be asked to vote on the CEA today, and if so, she requests a cop of the revised edition? As she does not have a copy in hand. Mr. Chairman acknowledges that there will be a vote on the revised CEA. Several conversations regarding the revision being emailed to the members which no one received. Mr. McGimsey asked his staff to obtain copies to provide for the board. Mr. McGimsey states that one of the changes was to pull out all the bank account information and also removing any reference to the transfer of immovable property. The only monetary transfers in the CEA is the \$400k which we believe is reasonable to get us to next year's payment and all future revenues from the garage. Ms. McKee pointed out that the original figure of \$240k is actually \$263k as per the schedule for next year's estimated rent payment. Ms. McKee also states that the annual revenue amount increases by 3% every year. Mr. Chairman asks if the board has had a chance to review the revisions before them. Ms. Carter responds "just to the revisions discussed".

Ms. Hamilton moves to approve the CEA in its revised form. Mr. New seconds the motion. Mr. Chairman calls for a vote and the motion passes unanimously.

Mr. McGimsey presents the copy for the chairman to sign on behalf of the HEAL Board. Mr. Chairman asks if Mr. McGimsey has the authority to sign on behalf of The Division. Mr. McGimsey states it will be signed by The Commissioner of The Division (Jay Dardenne). Mr. McGimsey states he will work with the staff on transfers. Taking into the account that some of the funds are in cd's and the possibility of early payment penalties might occur. Ms. McKee states that she has spoken with the bank who says that there will be penalties for cashing cd's before the maturity date of May 2019. Ms. Hamilton states with Mr. McGimsey's experience and the states full faith and credit there may be a negotiation to lessen the impact of the penalties. Ms. Hamilton and the chairman both state that it may not be necessary to take action on the cd's at this time. The chairman also states for confirmation from Mr. McGimsey that should the cd transfers incur penalties that loss would be The Division's loss not HEAL's. Mr. McGimsey agrees that penalties incurred from the cd transfer will be the loss of The Division.

Discussion of the Status of the Care South Medical and Dental and Bayou Braces Applications

Mr. Chairman calls for discussion of HEAL Bond applicants; Matt Valliere, CEO Care South Medical and Dental and Dr. Joseph Braud, DDS of Bayou Acquisitions. Mr. Chairman states that the board's two concerns are the wellbeing of the HEAL staff and the third party applicants who became involved with HEAL prior to this board being appointed. This item is to serve as a means of gathering information regarding the applicants, their application process to this point and how should the board proceed.

Mr. Chairman asks Mr. Valliere what action he feels the board should take on the Care South bond application and requests that Mr. Valliere start with by giving account of what representations were made to you by the board or agents of the board for further discussion. Mr. Chairman states that he has been in conversations with Mr. Matt Kern of Jones Walker, Mr. McGimsey of The Division who are both present today and also Mr. Michael Jackson, Counsel for Care South not present today.

Mr. Valliere gives further account to his original conversations with the former executive Director, Mr. Jacob Johnson in June 2017. Mr. Johnson advised them to complete an application for HEAL Bonds being that the projects are healthcare related and support the mission of the agency. The application was submitted and accepted October 2017. Mr. Johnson informed Mr. Valliere that HEAL's board is currently not intact but once it was, it would be presented to the HEAL Board. If approved by the board, the application would move to Jones walker for further discussion. We were present at the inaugural HEAL Board meeting on February 1st where the applications did not come up for discussion. We have since been in contact with Mr. Kern and Mr. McGimsey as far as looking at other avenues for us to pursue. Mr. Valliere further states he doesn't see why Care South wouldn't continue to work with HEAL if this is what the organization is set out to do. If the board still exists and the bond authority is still there, he would like a definitive answer to take back his board of the reason we need to pursue another option if HEAL does not approve the application.

Mr. Chairman speaks to his appreciation of HEAL being a conduit, as far as bond issuance is concerned. Mr. Kern states that HEAL is mostly a conduit. The parking garage is a direct issue which is a direct debt of HEAL. The other projects Mr. Johnson had been pursuing are conduit issues and are not the debt of HEAL. He speaks to the approval process typically works by getting a completed application in the posed form of a resolution to adopt to move forward with the project. It is important to know that this project did not reach that stage. He further speaks to the language within the resolution is typically decided once a financial advisor or manager is involved that knows, investors suitable for this type of project, available interest rates, tax reviews to go on before adopting the resolution to be sure its financeable.

Mr. Chairman states that one of the prerequisites is that the applicant be a nonprofit which Care South is a nonprofit. Mr. Kern adds that in addition to a non-profit it also has to be a 501-C3 nonprofit.

Mr. Chairman asks Mr. Valliere what is the benefit of his project going through HEAL as opposed to HEAL facilitating your project going through another source? The chairman then asks Mr. Kern if the Care South project could go directly to the state bond commission or another bond facility. Mr. Kern explains the path for a non-profit to go before the bond commission. HEAL or another conduit issuer with statewide authority such as LCDA or LPFA who issues bonds all over the state every year would facilitate the bond commission meeting.

Mr. Kern adds that there is no real benefit of going through one or the other unless there is an issue where the investor may say that there is an uncertainty with the structure or the issuer is no longer around. The chairman asks Mr. Kern to expound on "unless there is an uncertainty with the issuer" alluding to, perhaps, is that there might be some controversy surrounding HEAL that might in fact be disadvantageous to the applicants. Mr. Kern concurs, "that's right, that is what I am suggesting sir. Investors will want to know about the issuer as well as the borrower. There is plenty of uncertainty around HEAL which is not a good factor. The chairman asks if it could affect the interest rate. Mr. Kern responds "it's possible".

Mr. Chairman asks Mr. Kern to advise on what the HEAL board needs to authorize this applicant? Mr. Kern offers his opinion that it would be more advantageous for the board to assist Care South to go through another issuer that doesn't have the issues that HEAL has. Jones Walker is more than happy to help facilitate that process. A letter of recommendation from HEAL with the application to another issuer may also be useful. Mr. Chairman asks Mr. Kern if there will be a cost to the applicants for Jones Walker's assistance. Mr. Kern responds that the firm works on a contingent basis. We are paid when bonds are issued.

Ms. Carter asks for further clarification on who would be financially responsible for facilitating the applicants on behalf of HEAL? Would the applicants be responsible for paying you or would HEAL be responsible? Mr. Kern states that the current work will be billed to HEAL and that they work with the issuer on a contingent basis for the final benefit of the transaction.

Mr. Chairman believes that looking at the statute, it would be allowable for the board to expend some funds to facilitate the Care South project if it becomes necessary.

Ms. Hamilton asks, what is the application process first? Secondly, what is the financial impact to HEAL in light of what we now know about where we are financially?

Mr. McGimsey offers his opinion. In comparison to LCDA or LPFA, and to become similarly situated as an active conduit issuer and to receive applications with proper analysis to process, HEAL would have to hire more staff in addition to the current staff and resources.

Mr. Kern further adds that LCDA and LPFA are more competitive, have more staff, including an executive director and better resources to recruit borrowers. As you can see with HEAL's past that is not easily done especially with such a limited scope of projects to finance.

Ms. Hamilton makes a second request for clarification as to the application process and is HEAL a conduit to any other borrower. Mr. Kern responds no to the question of being a conduit issuer to any other issuer. There are no other borrowers with outstanding loans. The current applicants will be the first in a long time. Mr. Fontaine speaks to the HEAL application process within the last two years.

Mr. Chairman calls to question is it true that HEAL currently has no active bond issuances where HEAL is the conduit. Was the process just described ever successfully employed? Mr. Fontaine speaks to the Holy Cross project where they were approved by the HEAL Board and State Bond Commission but the bonds were never issued due to a disagreement between the bankers and Holy Cross. Mr. Kern concurs.

Ms. Hamilton poses additional questions where the HEAL Board has to decide to continue to be a conduit issuer, what process by which to accept applications and what would be the financial obligation for HEAL to do so. Mr. McGimsey and Mr. Kern both agree that the expense would be in staffing the agency. Ms. Hamilton questions if the applications have in fact been presented to the board reciting various data from the legislative audit report. She states her discomfort with the newly formed HEAL board moving forward with accepting, incurring bond counsel's facilitation fees and/or approving the bond applications at this time as it may not be in the best interest of the Board.

Mr. Chairman reiterates Ms. Hamilton's question of how were these applications presented to the board. Mr. Fontaine states that the agency had no board at receipt of the applications in October 2017. Mr. Chairman questions if the Groner Board was aware of the applications, Mr. Fontaine and Ms. McKee go into detail regarding the receipt of the applications and Groner board was seated January 2017 and asked to resign June 2017. The HEAL board was inactive June 2017 to January 2018 which is the currently seated board. Mr. McGimsey references the options before the board. Ms. Hamilton asks the question of what should HEAL say to future applicants for HEAL Bonds and referenced the Legislative Auditors reports. Mr. McGimsey suggests redirecting the applicant to another issuer until this board decides its future path. Ms. Carter asks if the process will be placed on hold as a point of clarity to ensure that we are going to follow the process or create a process. Ms. Carter also asks if there is a deadline to accept applications. The staff responds there is no deadline apply or accept applications

Mr. Chairman reverts back to the receipt of the current applications and next steps. Ms. Hamilton disagrees. Mr. Chairman states that the staff, who has the authority to represent HEAL, did accept the applications and suggests to the board that Mr. Kern do further analysis to help the applicants as the board lacks the competence to do so. He further agrees with having a proper process in place prior to making an approval of anyone to before the bond commission. Ms. Hamilton further disagrees with the executive director having the authority to act on behalf of the board. Mr. McGimsey offers his opinion that the board has inherited these applications and offers options on the level of involvement of work from Jones Walker. Mr. Kern explains the options of directives to the board. Mr. Chairman asks if Mr. Valliere would have to hire additional counsel to represent him.

Kim P. Ford, concerned citizen, asks for clarification on her appreciation of the bond counsel's previous statement that the legal fees would come from the award of the bond. Mr. Chairman states that there was discussion to that extent.

Mr. Chairman call for any other questions from the board. Ms. Carter makes a point for clarification. There are two options of consideration for the current applicants and within that we also have to make a decision on what to tell future applicants

Mr. Chairman asks the pleasure of the board.

Ms. Hamilton makes a motion that HEAL suspend its activity as a conduit issuer until such time as we become more financially stable and in a position to reasonably accept applications for review and further action.

Ms. Carter adds to amend the motion “that we also clarify a process”. Ms. Hamilton accepts the amendment to her motion.

Ms. Pope seconds the motion as amended.

Mr. Chairman asks for any further discussion. Hearing none, a vote is called and the motion passes unanimously.

Mr. Chairman asks the meaning of the motion. Does it mean that Mr. Kern is no longer to assist Mr. Valliere of Care South? Ms. Hamilton’s states that her interpretation is yes. At the expense of the HEAL board that is the way she interprets it. Unless another motion is made to do so. Ms. Carter’s interpretation is that the motion is to suspend future applications. Ms. Hamilton states that was not her intention as it is unfair to the community and the applicants to give the impression that HEAL is ready to something that they are not as we do not have the capacity or the intelligence to move forward with this issue.

Mr. McGimsey, appreciating Ms. Hamilton’s point, offers his insight. Mr. McGimsey’s concern is with HEAL not at least going the step, with a minimal cost, to facilitate the two applicants to another conduit issuer to further process the applications which should be a minimal cost and further resolve HEAL’s involvement with these applications. Ms. Hamilton addresses Mr. McGimsey as the newly selected administrative officer of HEAL, if you advise that for the pending applications we are in a financial position to offer that assistance without any commitment to being the conduit issuer then I so move. Ms. Carter seconds the motion.

Mr. Chairman reverts back to call question to his interpretation of the original motion to “cease” all activity of HEAL and receives clarification from Ms. Hamilton that her motion was “to suspend” not to cease until we are in the proper position. Maj. Tracy Riley, concerned citizen, also addresses the board with a question on the same motion of how long will it take. Kim P. Ford, concerned citizen, asks how can you be appointed to a board if you don’t know anything about it. Mr. McGimsey asks to return to the motion on the table.

Ms. Carter states the motion to read as To move the applicant two applicants, Care South Medical and Bayou Braces Care South Medical to the second phase of the current HEAL process which is to work with bonds counsel to find additional resources without the guarantee of issuing a bond at HEAL’s expense.

Ms. Pope asks for clarification on the motion before voting. Clarified by Ms. McKee and Mr. McGimsey. Ms. Hamilton asks if this motion will address both applicants. Ms. Pope states it will.

Mr. Chairman calls for a second to the motion on the table. Ms. Hamilton seconds the motion. Mr. Chairman calls for a vote and the motion passes unanimously.

Dr. Joseph Braud, Jr. of Bayou Braces Bayou Dental Enterprises introduces himself, gives history of his business and talks about his application submission 9 months prior for HEAL funding. Working with Mr. Johnson during the lack of a board to ensure that we had a fundable project. The project is for \$15m to expand dental services also adding urgent care services to increase the access of dental and medical care to residents of Orleans, Lafayette, Baton Rouge, Vermillion and Iberville parishes. Bayou Braces is a for profit entity who is currently partnering with a non-profit. Prior to conversations with Mr. Kern; Dr. Braud is unclear about the for profit vs. non-profit criteria which is his question and concern today.

Mr. Chairman offers his appreciation of the for-profit, non-profit and 501-C3 non-profit prerequisite criteria. Mr. Kern begins to add clarity on the difference of profit vs. non-profit bond applications for the

applicant's and board's insight. Ms. Hamilton interrupts stating that the conversation is going beyond the scope of today's meeting. The last motion covers this applicant as it relates to the extent of assistance from the HEAL board. Dr. Braud states that he has canceled patients and lost money coming to these meetings and believes it fair for him to ask questions that were not clear to him for him to decide if this is even a viable option for my company. He would like the real answer if he is able to partner with a 501-C3. Mr. Chairman reiterates the point that the previous motion allows for the bond counsel to continue to work with Dr. Braud. He also states that he understands the plight that the applicants are in and the board is willing to assist as best it can. Dr. Braud appreciates the board's assistance but poses a bevy of questions to the board regarding lack of medical care for the citizens of Louisiana and why would the board agree to give away your asset of the garage if you want to become more financially stable to help fund projects like ours. Mr. Chairman addresses Mr. Braud's questions by asking what representations were made to him as to what HEAL is and what it can do, speaking to HEAL not having the ability to list the garage as an asset, HEAL has not issued a bond in 12 years and suggests that HEAL solicited applicants as a recruitment process prior to legislation to abolish the agency because it wasn't serving its purpose. Dr. Braud interrupted to add that he was not recruited by staff but had heard that HEAL might be a funding resource at a city meeting. Mr. Chairman further states his beliefs and concerns regarding the misinformation of the agency and again extends the assistance that the board voted is allowable at this time.

Mr. Chairman requests to remove item number 6, Consideration and approval of the Cooperative Endeavor Agreement for disbursements to qualified medical and health care programs. Motion moved by Ms. Pope and second by Ms. Hamilton and voted unanimously.

Concerned citizen, Tracy Riley asked the board where her application was in the process, as she was not called up for discussion. Mr. Chairman stated that the board was not aware of her application before them but invited her to the table for informational purposes. Mrs. Riley gives history dating back to 2016 of the initial application submission having been interrupted by the legislation of SB224 to present. Mr. Chairman asks Mrs. Riley for additional application information. He then asks Ms. McKee of her knowledge of the application. Ms. McKee states to her knowledge Mrs. Riley's application was in a work-up file not completed for presentation to the board. Mr. New asks Ms. McKee if there are any more applications at the office that have not been presented to this board. Ms. McKee states, no sir.

Ms. Carter asks if Ms. Riley is a 501-c3. She also asked Mrs. Riley if she received a letter from HEAL. Mrs. Riley states that she is a for profit business. Understanding that her application is not to the point of presentation, is asking that she be afforded the same opportunity as the other applicants to work with bond counsel. Mr. Chairman further asks if anyone spoke with her regarding the 501-c3 status in terms of eligibility for tax free bonds. Mrs. Riley replies, no. Her understanding was that it was for for-profit businesses as well. R. Chairman states that her information is incorrect. Mrs. Riley states that she is willing to work with the state to amend the application with the correct information. It is her mission to provide this business utilizing this particular resource. Having no Rouge House application information before the board at this time, Mr. Chairman states that the board has the option to address this in a future meeting; another is to move unanimously to add this item to the agenda to supplement prior motion provided to the other 2 applicants, then asks the boards pleasure. Ms. Hamilton states her understanding that the previous motion suspends the board's actions of conduit issuer and the second motion allows the board to offer legal services to find another issuer but asks clarity on where do the applicants it stop, having no process that's been recognized. Further citing the legislative audit report; suggests not moving forward until there is an administrative review as to what is pending or not and a recommendation as to how we move forward. Ms. Riley asks what legislative audit is Ms. Hamilton referencing, what is the date and is it the same report that is in litigation with regard to its accuracy? Ms. Hamilton states the audit report is not in litigation as it relates to the HEAL Commission, dated January 18, 2017. Mr. Chairman asks if Ms. Hamilton is suggesting

that the board set up a process. Ms., Hamilton replies that she thinks that The Division should look at the administrative responsibilities to determine what our posture is as it relates any pending and or applications that we may not know about.

Mr. Chairman points out that the first order is to vote, it would have to be unanimously, to take up this item or risk being out of order of proceeding properly as this item is not on the agenda.

Aaron Maples, board counsel, states that Ms. Hamilton's point to have DOA access is well taken, however, no other motion needs to be taken because the authority has been given. Mr. McGimsey states they will look at the application and get back to the board.

Mr. Maples states for clarity, that the board would have to vote to amend the agenda and place this item on the agenda if the board wishes to direct Mrs. Riley to work with the bond counsel.

Mr. Chairman instructs Ms. McKee to forward all pending applications to Mr. McGimsey and DOA for review.

Concerned citizen, ask a question regarding the previous motion regarding good faith efforts to third party applicants would automatically go into the process voted here today. Mr. Chairman states the difference between Mrs. Riley and the other two applicants is that he board had no knowledge of Mrs. Riley's application prior to today's meeting.

Mr. Maples advises the board has reopened public comment; a comment has been made about an outstanding application and with no desire from the board to amend the current agenda at this time; suggests placing The Rouge House application to the next board meeting prior to the DOA.

Mrs. Riley requests that the board in a good faith effort, share the proper criteria for the application. Ms. Carter states, for clarification, the board is conducting an administrative review to clarify our process. It's nothing against The Rouge House application. We are unable to make any further movement on your application dues to it is not before us.

Mr. Chairman calls for a motion to adjourn.

Mr. Maples advises that the Executive session remains as the last agenda item.

Mr. McGimsey asks if there is anything to discuss in the executive session. Mr. Maples states there is no new information at this time.

Adjournment

A motion to adjourn is made by Ms. Hamilton moves that item seven, the executive session, be removed from the agenda. Mr. Chairman seconds.


Ms. Hamilton moves to adjourn. Ms. Pope seconds.

Meeting adjourned at 3:45pm

Certification

I, the undersigned, hereby certify that the above is a true, full, complete and correct copy of the minutes and resolutions adopted on motion duly made and seconded at a meeting of the members of the Board of Trustees of the Health Education Authority of Louisiana held on the 19th day of April, 2018, at which meeting a quorum of the members were present and acted throughout and that a copy of the foregoing is duly entered upon the minute book of the Health Education Authority of Louisiana, and is now in full force and effect, and has not been amended, changed, modified, rescinded or repealed in any way.

WITNESS MY SIGNATURE, this 26th day of April, 2018:



Ms. Genevieve Pope, Interim Chair

Minutes Prepared by Vanessa McKee