

Munroe Regional Health System, Inc.

Minutes of the Meeting of the Board of Directors

January 26, 2015 @ 5:00 p.m.

1121 SW 1st Avenue, Ocala, FL

The regular meeting of the Board of Directors of Munroe Regional Health System, Inc. d/b/a Munroe Regional Medical Center was held on Monday, January 26, 2015 at 5:00 p.m. in the Foundation Conference Center at Marion County Hospital District.

Board Members Present

Larry Strack, Rich Bianculli, Ram Vasudevan, Ken Marino, David Cope, Sam McConnell, Randy Klein

Board Members Absent

None

Hospital Attorneys Present

Jonathan S. Dean

Others Present:

Jon Kurtz, Debbie Cooper, Fred Hiers, John Garri, Dick Grosso, Kerrie Jones Clark, Tim Westgate, Stan McClain, Jill DiLorenzo, Terrence Mandarino

Call to Order

Larry Strack called the meeting to order with a quorum present at 5:03 p.m.

Invocation

Jon Dean gave the invocation.

Minutes of December 15, 2014 and January 20, 2015 Meetings

The Minutes of the December 15th Board Meeting and January 20th Committee meetings were approved as presented.

A **Motion** was made by Sam McConnell to accept the minutes of December 15th and January 20th, 2015 as presented. The **Motion** was seconded by Rich Bianculli. With no further discussion, the motion carried unanimously.

New Business

Financial Reports for MRHS - Debbie Cooper discussed the balance sheet and statement of revenues of expenses for the period ending November and December, 2014. Crippen Trice has changed the format at the request of the Board. There was an increase in cash between

November and December due to receipt of the Medicare cost report payment. All expenses are in line. There was a cash decrease in December due to the payout of the Blue Cross audit.

Sam McConnell made a **Motion** to accept the Financial Report dated November and December, 2014 as presented. The **Motion** was seconded by David Cope. With no further discussion, the motion carried unanimously.

Accounts Receivable

Debbie Cooper reviewed the A/R collection update which is on track and coming down as payments are received. Currently there is being more collected than anticipated and MRHS can expect receiving approximately \$500,000 the month of January and then collections will begin decreasing.

Discussion with Bob Moore

Jon Kurtz reported that Bob Moore, the CEO of the Hospital, is scheduling one-on-one meetings with the trustees to introduce himself. Mr. Moore will be the contact for MRHS at the Hospital. Mr. Moore indicated that he will consider extending the TSA and will work with MRHS on the LPA and Ehlers issue. Mr. Moore indicated the Hospital would need more time on the Master Facility Plan and Mr. Kurtz asked him to provide dates that he can present to the Board. Randy Klein said that his meeting with Mr. Moore was positive.

Old Business

Status of Pension Plan

Jon Kurtz gave a timeline of the pension plan update and reviewed the memorandum provided by Lowell Walters at GrayRobinson. Aon Hewitt is in the process of sending packets to 400 employees who retired prior to March 31, 2014 who have not taken an annuity or lump sum payment.

PricewaterhouseCoopers sent an engagement letter to supply the data to Aon Hewitt regarding the 500 person sample. It will take PWC 3 to 4 weeks to get the information and Aon Hewitt 60 to 90 days to get the sample information complete. Once the information is submitted to the IRS, it could take between 6 to 18 months to hear back from the IRS.

Errors and Omissions on Pension Plan

Mr. McConnell asked that the Board table any discussion on the errors and omissions in the pension plan until the March Board meeting.

Sam McConnell made a **Motion** to table any discussion on the errors and omissions in the pension plan until the March Board meeting. The **Motion** was seconded by Randy Klein. With no further discussion, the motion carried unanimously.

Status of 401(k)

An IRS application is being prepared that will be sent to the IRS requesting an opinion as to whether the plan can be amended to correct the problems found.

MRHS Cash Flow Report

Ms. Cooper reported that as of December, 2014 MRHS has about \$1.5MM more than anticipated. Office and winddown expenses are down for the month.

TimberRidge Nursing Home

Mr. Kurtz advised the Board that he has been in conversation with Win Porter. Mr. Kurtz prepared two analyses regarding MRHS's equity in TimberRidge. Mr. Porter presented a proposal based on a recent appraisal he had prepared, showing a value of TimberRidge of \$11,250,000. Mr. Kurtz noted that the appraisal Mr. Porter had done is only used in the income approach and is not appropriate on this kind of building.

Mr. Kurtz had an independent firm look at the information on TimberRidge and their value was \$12,500,000 to \$19,000,000, using all three appraisal methods.

After discussion, it was recommended by the Board that an offer be made to Mr. Porter of \$8,500,000 after debt service, and MRHS offering to finance the purchase at 6%, amortized over 20 years with a 7 year balloon.

Ram Vasudevan made a **Motion** to offer \$8,500,000, net to us after debt services to Win Porter, take it or leave it with an answer in 10 days. The purchase of \$8,500,000 may be financed by MRHS over 20 years at 6% interest, with a 7 year balloon. The **Motion** was seconded by Sam McConnell. With no further discussion, the motion carried with one opposed.

Legal Matters

Bond Issue

Jon Dean advised that in April 2014 when MRHS closed, there was \$64MM escrowed in bonds. In November, 2014 MRHS received an inquiry from the IRS on the defeasement of the bonds. Mr. Dean spoke with Randy Clements, the attorney who handled the bonds and he will address the IRS inquiry. There was a notice provision and MRHS did not comply with the provision, resulting in MRHS being assessed a \$2,000 fine. Mr. Clement's firm will be paying the fine as they should have prepared the notice. Mr. Dean should have a form at the February meeting of the Board that will need to be signed.

Steve Purves

Mr. Dean advised that depositions are scheduled in this matter on January 29, 2015. The hearing is scheduled the first week of May and an opinion should be rendered by the end of May, first of June 2015.

Ehlers Land Lease

Mr. Dean had several discussions with Martin Goldberg in Miami, the attorney for CHS, regarding the Ehlers land lease. Mr. Dean sensed a warming of the relationship. Mr. Goldberg asked Mr. Dean to send a letter of intent. Mr. Dean will ask CHS to reassign the ground lease back to MRHS. Mr. Dean expects to hear back that CHS is in agreement or submits a counterproposal.

Dr. Ulmer


Jon Dean advised that demand was made and Dr. Ulmer's attorney has had sufficient time to respond. The next step is to file litigation.

Public Comment

None

Adjournment

There being no further business, Larry Strack announced the meeting was adjourned at 5:44 p.m.



Lawrence J. Strack, Chairman