

St. James Medical Center

Mayo Health System
August 4, 2008

Honorable Tim Walz
Representative – Minnesota
1529 Longworth House Office Building
Washington DC 20515
Fax: 202.225.3433

Re: Regulation / Policy / Bookletter HM – 08 – 5; Proposed Rule 12 CFR Part 615; RIN 3052-AC42; Funding and Fiscal Affairs, Loan Policies and Operations, and Funding Operations; Mission-Related Investments, Rural Community Investments

Honorable Tim Walz:

In August 2006, St. James Health Services, Inc. began construction of its replacement Critical Access Hospital. Funding was provided as follows:

\$ 1,000,000	Community Pledge
5,000,000	USDA Direct Lending
<u>16,325,000</u>	Guaranteed USDA Community Facilities through ArborOne
\$22,325,000	Total Project Cost

This combination of financing to our community was essential to our ability to replace our hospital. St. James Minnesota is a rural community of 4,695 people located 2 hours southwest of Minneapolis Minnesota. We know that a thriving rural community is dependent upon infrastructure (governance, power, water, waste, transportation, telecommunications); community services (education, healthcare, safety); and business (industry, services). Without infrastructure and community services, our community's ability to attract and retain businesses is very limited.

Much of the nation's rural health care involves facilities that were built 40 – 50 years ago. Over the years, some of the hospitals in the area have closed. Others, like St. James Health Services, were sorely in need of replacement or faced the possibility of closing as well. In 1998 the U. S. Government created the Critical Access Hospital designation to allow for improved reimbursement of Medicare claims. While this increased the cash flows generated by rural hospitals, financing replacement hospitals remains a challenge.

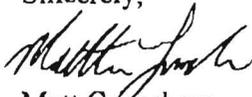
Tax Exempt Bonds are an available source of financing; however, the cost of credit enhancement and obtaining a rating would have been time consuming and expensive. Taxable bonds with a USDA Guarantee was an alternative option if we could develop a relationship with a qualified financial institution willing to recognize the value of the guarantee in their terms and conditions.

We found the financing structure provided by ArborOne Financial to be innovative and competitive, providing for fixed rate financing pre-construction. Working with ArborOne Financial, USDA and Morgan Keegan (Placement Agent), we were able to obtain the financing needed for our replacement Critical Access Hospital. More than a thousand people came to the ground breaking ceremony - on a workday! Our new hospital was dedicated November 11, 2007, completed nearly 3 months ahead of schedule and \$1,000,000 under budget! As a result of our hospital replacement, Good Samaritan Society of St. James expanded its Assisted Living Facility (Prairie View) and Skilled Nursing Facility (Pleasant View).

St. James Medical Center – Mayo Health System is in favor of the proposed rulings by the Farm Credit Administration. We believe the proposed ruling:

1. Promotes safety and soundness in applications of financing
2. Can be implemented without unnecessary burden or cost
3. Has well defined objectives and addresses identified risks
4. Establishes standards that are clear and easily understood
5. Has appropriate criteria and operational objectives
6. Promotes consistency with the policy positions of other financial institutions

Sincerely,



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cc:

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