Current Market Terms in Healthcare Lending – The Senior Lender’s Perspective

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Kensington Capital Advisors was formed to serve end users of derivative products. Significant advantages exist for borrowers who use derivatives to manage interest rate risk along with potentially costly pitfalls. These risks are especially salient when executing transactions without an appropriate level of experience and knowledge. We bring the experience, knowledge and independent counsel necessary to assist in the analysis and execution of financial derivatives and structured financings.

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Assets A to Z
Healthcare Finance

Medical equipment
- Diagnostic imaging
- Cardiology equipment
- Physical therapy equipment
- Laboratory equipment
- Linear accelerators
- MRI and CT
- Patient monitoring equipment
- Radiology equipment
- Surgical suite equipment

FF&E
- Analyzers
- Cafeteria equipment
- Carpet
- Copiers
- Elevators
- Examination tables
- Hospital furniture
- Hospital beds
- Modular building
- Parking garage
- Office furniture
- Police and security equipment
- Phone systems
- Refuse bins
- Scoreboards/signage
- Sprinkler System
- Stereo/sound systems
- Swimming pools
- Televisions
- Water coolers
- Zamboni machine

Transportation
- Buses
- Emergency vehicles
- Fixed wing aircraft
- Golf carts, bulldozer, forklift
- Helicopters
- Panel vans

IT
- Electronic Medical Record (EMR)
- Laptops, computers
- Medical software; implementation, training
- Patient tracking/accounting systems
- Stereo/sound equipment
- Ticket system for theaters

Utilities
- Energy services equipment
  - (HVAC, Co-Generation, energy efficiency and renewable energy projects)
Primary Areas of Medium-Term Focus

**Tax-exempt, Private Placement**
- **Most efficient** form of medium-term capital
- Access the tax-exempt market at \(1/3\) the cost of a bond on 3-10 year tenors with private investors

**Fair Market Value Financing**
Best when utilized for the following reasons:
- Desire to **return** equipment at lease expiration
- Typically accounted for as **Operating lease**
- **Cash flow** management

**IT Financing**
Rotate IT (laptops, computers, hardware, etc) every 3 yrs with:
- Strong **asset tracking** capabilities
- **Indifference to vendor**
- Assurance of **information security**
- **Protection** at equipment disposal

**Taxable Capital Financing**
Best when utilized for the following reasons:
- Desire to **keep equipment** at lease expiration
- **On-balance** sheet treatment
- **Cash flow** management

**Energy Project Financing**
- **Financing solutions** for Energy Services projects
- Work with the **client and ESCO** to understand equipment acquisition and timing requirements as well as cash flow needs
- **Customize** financing solutions that meet the client’s needs

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**Bank of America**
Merrill Lynch

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• Healthcare and Institutions  
• Not-for-profit Healthcare Financing  
  • Hospitals  
  • CCRC’s  
  • Skilled Nursing Facilities  
• North Carolina and South Carolina Markets
Senior Debt Products

• Credit/Liquidity Enhancement Facilities
  ➢ Standby Bond Purchase Agreements
  ➢ Direct Pay Letters of Credit

• Direct Placements of tax-exempt Bonds

• Tax-exempt Loans

• Taxable Loans
  ➢ Bridge Financing
  ➢ Construction Financing
  ➢ Permanent Financing
    • Acquisitions
    • Small Capital Projects
    • Bond Refinancing
  • Assets Not Qualifying for Tax-exempt treatment
Alan G. Regdos II, CPA

• Senior Vice President & National Underwriting Manager
• 15 years of healthcare experience
• Responsible for underwriting, sales/new business and due diligence activities
  • Analyze, structure and negotiate new business opportunities
  • Orchestrate and manage the underwriting and legal documentation process
  • Manage the field exam/due diligence function
• 1 of 5 new business credit committee members

Who We Are

• Specialty lender dedicated to providing financing solutions exclusively for the healthcare industry.
• Corporate headquarters are in NYC, with business development offices in CA, NC, NJ and CT.
• HFG offers secured revolving credit and term debt financings up to $200 million to all types of healthcare entities.
Products

• Revolving Lines of Credit
• Secured Term Loans
• Letters of Credit
• Leasing

Services

• Direct Lending
• Syndications & Investment Banking

Target Market

• “Middle Tier” healthcare providers nationwide. These Middle Tier credits range from unrated/below investment grade credits for the most part with the occasional low investment grade credits.

Typical companies include:

• Acute care hospitals, nursing home chains, home health companies, clinical laboratories, pharmacy benefit management companies, pharmacies, healthcare staffing companies, rehabilitation service providers, CRO’s, LTAC’s, etc.
Discussion Topics

1. Changes in the market since 2008:
   a. Changes to loan terms (covenants, call protection, pricing, equity cures)
   b. Changes to products (what is new, what is gone)

2. Current structures and purposes of financing:
   amend/extend, M&A, dividend recap, equipment finance

3. How borrowers are approaching debt and interest rate management

4. Other current health care issues: health care reform, industry consolidation and hot/cold sectors
Questions or Comments?

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