

ZIEGLER HEALTHCARE

A CRITICAL ACCESS HOSPITAL FINANCING CASE STUDY

CLOSED SEPTEMBER 2007

TWIN CITY HOSPITAL

BACKGROUND

Like Ziegler, Twin City Hospital (the "Hospital") has a long history in healthcare. The Hospital is a Critical Access Hospital as designated by the Centers for Medicare and Medicaid Services in January of 2001 and currently staffs 25 acute care beds. The vision began in 1912 when a group of community women began saving money with the goal of building a much needed hospital for the cities of Dennison and Uhrichsville, Ohio. Over the next few years, land, money and materials were donated by a variety of individuals and organizations. The Hospital's first patient was admitted in 1917, and local women delivered meals to the patients and did the Hospital laundry in their homes.

Ziegler was engaged to develop and execute a plan of finance that would allow Twin City to fully fund the cost of the replacement facility with minimal equity contribution by the Hospital. Since Twin City had never accessed the capital markets, Ziegler worked extensively with Twin City, its counsel and bond counsel to craft a base master trust indenture that would include state-of-the-art covenants and provide Twin City with the desired operational and financial flexibility. Ziegler also provided substantial comments to the independent third party feasibility study. This required the consultant to produce more detail and undertake more forecasting and market share work, but resulted in a more complete study and ultimately a more marketable transaction.

THE ZIEGLER DIFFERENCE

It was determined that Twin City would not be able to achieve an investment grade rating. Ziegler recommended, and Twin City elected, to pursue the transaction on a non-rated basis. As part of a comprehensive marketing plan, Ziegler undertook extensive discussions with buyside analysts, prepared a detailed credit overview that was presented on an investor conference call and held a site visit at Twin City for investors, one of which purchased a large portion of the underwriting.

Ziegler entered the market on the day of pricing with a three term bond structure (2022, 2027, and 2037 maturities). By leveraging our credit positioning expertise and strong buyside relationships, Ziegler was able to



Twin City Hospital - Dennison, Ohio | \$16,775,000

Tax-Exempt Fixed Rate Bond Offering

complete the \$16.775 million fixed rate financing with a final coupon of 6.35%. By way of comparison, a similar-sized critical access hospital transaction was priced a week earlier with a final maturity coupon rate of 6.625% and required buyers to sign a Sophisticated Municipal Market Participant Letter which can significantly limit the number of buyers for a transaction. Ziegler was able to complete the Twin City transaction with a lower cost of capital, under similar market conditions and with more favorable terms than this comparable critical access hospital.

Twin City Hospital can continue to provide their patients with high quality healthcare and improve the patient experience. The Hospital's replacement facility will be a 47,000 square foot wing to the existing facility that will provide full service acute care and new space for 25 licensed beds. The Hospital will provide a full range of ancillary care services, including an emergency department, surgical suites, laboratory, medical imaging and outpatient services. The existing Hospital will be renovated and house the administrative functions on the first floor and medical office space on the second floor for internal medicine, family practice and specialty physicians.

"Many thanks to all of you for your assistance, professionalism, and patience during the past several months to get the financing done... We look forward to having you all here in March 2009 when we open our doors, but please feel free to stop in and check on progress anytime; around here, you're part of the family now."

Mr. Rick Rieger
Twin City Hospital
Director of Planning/
Development

This client's experience may not be representative of the experience of other clients, nor is it indicative of future performance or success.



ZIEGLER HEALTHCARE

HEALTHCARE FINANCE
200 SOUTH WACKER DRIVE | SUITE 2000
CHICAGO, IL 60606

CONTACT US

800 366 8899
www.ziegler.com

© 2008 B.C. Ziegler and Company
Member SIPC & FINRA