

Deal Spotlight: Healthcare

Oconee Memorial Hospital South Carolina Jobs-Economic Development Authority

\$30,000,000

UW: RBC Capital Markets

Ratings: Aa3/VMIG 1 (Series A)

Dated Date: 12/6/06 (Series A)

Aa3 (Series C)

12/1/06 (Series C)

Oconee Memorial Hospital, Inc. (“OMH” or “the Hospital”) issued \$27 million of Series A variable rate demand bonds and \$3 million of Series C fixed rate bonds through the South Carolina Jobs-Economic Development Authority. Radian has \$31.6 million in existing exposure to Series 2005A and 2005B bonds.

OMH is a 160-bed licensed acute care hospital located in Seneca, South Carolina, approximately 35 miles west of Greenville, SC and 95 miles north of Atlanta, Georgia. The Hospital was founded in 1937 as a 40-bed community hospital and was originally named Oconee County Hospital Association before its name was changed to OMH in 1947. OMH offers a comprehensive range of acute care, with 20 sub-specialties, diagnostic and community services, including a wellness center, education and preventative health, home care, physical therapy, and mental health. OMH also operates a number of clinics throughout the community.

OMH is the sole acute care hospital in Oconee County (the “County”). The County is in an economically improving location. The County’s population has grown in part due to the area’s attractiveness as a recreational and retirement area. The influx of wealthy retirees has boosted overall wealth levels and the expansion of the elderly population base is expected to drive higher utilization of healthcare services.

OMH captures a leading 67.3% of the primary service area’s (“PSA”) discharges. The PSA has an estimated population of approximately 70,000. The Hospital’s secondary service area draws upon Pickens and Anderson counties to the east, a combined population of roughly 349,000.

The bonds are secured by gross revenues of the Hospital and a mortgage. The Series A bonds are supported by a standby bond purchase agreement from Wachovia Bank, N.A. The bond proceeds will finance the construction of a new 6-story patient tower. The new patient tower will have an all-private room configuration and the existing patient tower space will be converted to administrative offices as well as for service line expansion. Once construction is completed, OMH will have 155 private beds in the replacement patient tower, up from the 122 semi-private beds currently in operation.

OMH accessed the market at lower interest rates based on Radian’s “AA” rating. The bonds were initially offered at a weekly rate of 3.50%, 10 bps over the SIFMA (formerly known as BMA) Swap index. Meanwhile, the 2016 final maturity of the fixed rate bonds offered a 4.00% coupon priced to a yield of 4.05%, 46 bps over the Municipal Market Data Line AAA GO Index.

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