

RMC, LifePoint reach agreement

Proposed sale price would not meet bond debt

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CONYERS - Left at the altar by Signature Hospital Corporation three months ago, Rockdale Medical Center officials said they have found a new suitor after reaching an agreement to sell the publicly-owned hospital to LifePoint Hospitals Inc.

In a meeting Tuesday night, the Board of Trustees of the Hospital Authority of Rockdale County and RMC's Board of Directors voted unanimously to move forward on the proposed sale of the 138-bed hospital to LifePoint, a publicly traded company based in Brentwood, Tenn.

LifePoint's purchase offer is \$80 million, with a promise to spend \$30 million in capital improvements over the next six years. As with the previous sale agreement with Signature, the Hospital Authority will have the right of first refusal if LifePoint decides to put the hospital up for sale.

In order to pay the balance of RMC's bond debt of \$85 million, the authority would be forced to dip into its cash reserves, leaving it with between \$40 million and \$45 million.

Hospital Authority Chairwoman Ethel Boyle said the hospital had to dip into its reserves to cover operational costs and debt payment during the search for a buyer - or "capital partner," as the authority has referred to the selection. The hospital is still obligated to make a \$2.49 million payment on the bond debt due Oct. 1.

The offer is \$7.7 million less than what Signature had on the table, and \$2 million less in capital improvements. However, Boyle said LifePoint was a good fit for RMC because of its focus on developing strong, community-based hospitals.

LifePoint operates 48 hospitals in 17 states. A total of 44 of those hospitals are their community's sole provider.

"I think the good thing is there is a commitment that's similar to ours to the community," Boyle said. "There's many similarities between (LifePoint and Signature), but I say structure and resources for the hospital are a couple of the big differences."

Another difference is that the Hospital Authority will not be given the option to nominate a member to LifePoint's board of directors, as Signature had offered. Once the sale is complete, RMC will operate as a subsidiary of LifePoint and have its own management board, to which the Hospital Authority will be able to nominate people to serve, Boyle said.

A letter of intent was expected to be filed Wednesday with the Georgia Attorney General's Office, Boyle said.

Diane Huggins, LifePoint vice president for corporate communications, said it was company policy not to comment on potential transactions until an agreement is signed.

"What we can say is that we have been extremely impressed with Rockdale Medical Center's dedication to providing the highest quality of care and its commitment to the citizens of Conyers and Rockdale County," Huggins said. "This level of dedication is one of the primary things we look for when we consider opportunities to grow into new markets."

The sale is not final until it has the blessing of Georgia Attorney General Thurbert Baker, per state laws concerning selling public property to private companies. The letter of intent will set the process in motion.

The Attorney General's Office will schedule a public hearing within 60 days of the filing and then make a decision within 30 days of the hearing.

LifePoint's offer is also contingent on the execution and delivery of a definitive asset purchase agreement, which can only be signed after the proposed transaction is approved by the attorney general. Boyle said she expects the sale would close shortly after the attorney general's approval.

The announced agreement with LifePoint follows a nearly yearlong courtship with Signature, based in Houston. Signature bailed out of the proposed sale after it suffered significant revenue losses in 2005. RMC incurred about \$15 million in operating losses that stemmed from debt incurred from the East Tower expansion and a loss of accounts receivables when the hospital converted to a new computer system, according to documents filed with the Georgia Attorney General's Office.

An \$87.7 million sale to Signature was announced in September 2007 and received approval from the Attorney General's Office.

The sale stalled in December after Signature's primary lender altered the terms of its loans due to uncertainty in the financial markets. The company found a new lender and the sale agreement with RMC was restructured. In May, Signature announced it was pulling out of the deal altogether.