

Rockdale Citizen

Attorney general OKs hospital sale

Mike Potter to take helm as CEO of RMC on April 1

Jay Jones

Staff Reporter

Saturday, March 15, 2008

CONYERS - The pending sale of Rockdale Medical Center to a private company cleared its final major hurdle following [a report](#) released by the Georgia Attorney General's Office that found the transaction falls within state law.

The attorney general's report of findings released late Thursday concluded that both RMC and Houston-based Signature Hospital Corp. have taken proper steps to ensure fair value is given for the publicly owned hospital under Georgia's Hospital Acquisition Act.

The report essentially gives state approval of the sale, clearing the way for the Rockdale County Hospital Authority and RMC Board of Directors to complete the \$87.7 million transaction.

The report was viewed by those involved in the sale as a major milestone in a long process. Hospital Authority Chairwoman Ethel Boyle said she expected the deal to be completed by the end of this month, but there was still a lot of work left to do.

"Flip of the switch' is not the right words to use here," she said Friday. "There's a lot that has to be done from the hospital's standpoint. There are nine reams of documents with everything, and the world is mentioned in them. It's a massive amount of documentation and paperwork, and all of it has to be ready to be finalized by the closing date."

Signature President and CEO Charles Miller said in a prepared statement his company was looking forward to working with the citizens of Rockdale County, the RMC employees and local physicians to "strengthen (the hospital's) role as a trusted provider of care in the area."

In another move, Signature announced Friday the hiring of Mike Potter, who will become RMC's new CEO immediately after the transaction is finalized. Potter was president and CEO of Wadley Health Systems in Texarkana, Texas, and had worked there since 2005. A press release by Wadley officials said Potter resigned Wednesday and will take over as CEO at Rockdale Medical Center on April 1.

Harry Downs, who served on the Hospital Authority in 2001 and who has been a vocal opponent of the hospital sale, said he was unsure if there was anything to stop the sale from going through after it had received the attorney general's blessing.

Downs maintained on Friday, as he had during the public hearings held concerning the sale, that the Hospital Authority had severely undervalued the 138-bed facility, because the sale price is less than the \$90 million used for the East Tower addition and expansion of the hospital's Emergency Department.

The 35-page report by the Attorney General's Office offered a concise summary of what led RMC officials to decide to sell the hospital. The report covered much of the same information discussed during two public hearings and included a financial analysis of the deal from Signature and RMC,

as well as and Ernst and Young, the financial firm hired by the Attorney General's Office to provide a third-party review of the sale.

The report concluded that the \$87.7 million price was a fair value for the hospital based on RMC's efforts to determine a price for the hospital through its selection process. Ernst and Young agreed with the value based on its research of the market trend in hospital valuations over the past year.

RMC officials announced on Aug. 28 they had agreed to terms with Signature Hospital Corporation to sell the 53-year-old public hospital for approximately \$90 million. Proceeds of the sale would retire the hospital's bond debt of about \$85 million. Signature has also agreed to invest \$32 million in the hospital over the next five years in capital expenditures.

The Attorney General's Office was expected to release its findings in December. However, the report was delayed when an investment bank backing a substantial part of Signature's cash purchase announced that it was changing the loan agreement to adjust to a tightening credit market.

The new terms would have drastically changed the sale agreement with the Hospital Authority. After Signature could not find a new investment partner, the company turned to the Hospital Authority with a new payment method for the hospital.

Instead of an all-cash \$87.7 million sale, Signature would pay \$62.7 million in cash and \$25 million in the form of a promissory - or subordinated - note.

The agreement presented to the state Attorney General's Office shows that Signature would pay off the loan in one lump sum on the fifth anniversary of the closing of the sale.

Signature is a privately held company that owns four hospitals in Pampa, Texas; Wharton, Texas; Hope, Ark.; and Parkersburg, W. Va.

Jay Jones can be reached at jay.jones@rockdalecitizen.com.