

GE HFS long-term care lending soars

FIRM HAS ARRANGED \$749 MILLION IN FINANCING IN 2004, UP 42 PERCENT

By Murray W. Wolf

The Long-Term Care Real Estate unit of GE Healthcare Financial Services (GE HFS) reports that it has arranged \$749 million in financing so far this year, a 42 percent increase over the same period last year. The year-to-date total includes \$424 million during just the first 30 days of the third quarter, more than five times the total committed in all of the same quarter last year.

FINANCING & INVESTMENT

Is this a sign of a rebound in the long-suffering long-term care sector?

Not necessarily, according to John Cobb, managing director of long-term care for GE HFS. Mr. Cobb says the surge in financing has more to do with the firm's more-aggressive marketing in the area of long-term care. GE HFS has added employees and widened product offerings specifically for that sector.

The most recent deals include:

- \$24 million in a long-term fixed-rate first mortgage loan to Life Care Centers of America
- \$200 million in a long-term fixed-rate first mortgage loan to Formation Capital LLC
- \$200 million in a senior secured facility for Atria Senior Living Group

The mortgage for Life Care, the nation's largest privately held skilled nursing operator, provides new financing for three stabilized nursing homes. The mortgage for Formation Capital, the long-term care unit's largest borrower, will be used to refinance 52 Florida SNFs operated by Sea Crest Health Care Management. The credit line for Atria, the nation's

fourth largest assisted living provider, allows the firm to refinance debt and facilitates future refinancings and investments.

As seven-year fixed-rate mortgages, the Life Care and Formation Capital loans reflect GE HFS's expanding offerings, Mr. Cobb says. With so many unknowns in the long-term care industry, including reimbursement rates and liability insurance costs, a fixed-rate mortgage gives borrowers at least one thing that they can count on.

"You're really seeing a shift in the skilled nursing people to fixed-rate financing," he says.

The Atria deal was even more customized, Mr. Cobb says. For Atria, GE HFS created a five-year floating-rate revolver backed by a pool of properties rather than a typical real estate-backed term loan. Under this arrangement, Atria can sweep properties within its real estate pool without having to pay off the revolver, which is likely to reduce future refinancing and associated fees. Atria officials decided to go with a floating-rate mortgage because they already had a lot of fixed-rate debt on the balance sheet and they wanted greater flexibility, he says.

Despite its increased emphasis on long-term care, Mr. Cobb emphasizes that GE HFS never abandoned the market. The firm has continued to work with prudent operators throughout the sector's ups and downs, he says, noting that Life Care, Formation Capital and Atria are all repeat customers.

"It really doesn't make a difference on size," Mr. Cobb adds. "It matters who the operator is." He says GE HFS will continue to focus on "top operators."

"We're bullish on long-term care, senior housing and skilled nursing,"

says Greg Scrine, the firm's vice president of long-term care strategies. "We like where this market's going."



LifePoint plans to acquire Province for \$1.7 billion

BRENTWOOD, Tenn. – LifePoint Hospitals Inc. (Nasdaq: LPNT) announced Aug. 16 that it has agreed to acquire Province Healthcare for about \$1.7 billion. The purchase price represents a 66 percent premium for Province Healthcare shares as of the last day prior to the announcement. Both firms are based in Brentwood.

The transaction would create a firm with 50 non-urban hospitals in 19 states, almost 5,300 beds and combined revenues of about \$1.7 billion. The deal is expected to close during the first half of 2005, pending shareholder authorization, regulatory approvals, receipt of financing and other conditions.

LifePoint's financial advisor was Citigroup Global Markets Inc. and its legal advisor was Dewey Ballantine LLP. Province's financial advisor was Merrill Lynch and its legal advisor was Alston & Bird LLP.

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