

For Immediate Release:

BEATRICE, Neb. (June 24, 2010) -- Beatrice Community Hospital finalized financing for a new \$45 million facility today, completing a transaction that capitalizes on American Recovery and Reinvestment Act changes and will bring improved health care delivery to the small Nebraska town.

Local Nebraska banks and individuals have purchased nearly 40 percent of the tax-exempt bonds issued, and the community's affinity for the project helped to keep the interest rate on the bonds low. The rate on the debt is fixed for 25 years, and \$30 million of the bonds are rated investment-grade by Fitch Ratings. Beatrice is the only critical access hospital in Nebraska to achieve an investment-grade rating.

"We were happy that we were able to get an investment-grade rating, and we felt that the rates that we got will help to control some of the cost of health care in Beatrice for the next 20 to 30 years," Chief Executive Officer Thomas Sommers said. "If I can hold down my costs, then I don't have to raise rates."

The \$45 million financing was structured by Lancaster Pollard & Co., an investment banking firm that specializes in health care finance. The bonds were split into two issues – one of \$15 million, which closed in late 2009 and was underwritten by Lincoln-based Smith Hayes Financial Services, and the second of \$30 million, which was underwritten by Lancaster Pollard and closed today. Splitting the financing reduced interest costs for Beatrice Community Hospital, since the hospital had funding to start site work in late 2009, but did not have to pay interest on the full amount of the bonds until summer construction was ready to begin.

"The capital markets always shift during a project's development cycle, and the markets have been especially volatile for Beatrice, so pursuing multiple funding options was crucial," said Quintin Harris, vice president of Lancaster Pollard. "Issuing the bonds in two series saved Beatrice about \$1 million in interest expense, and the hospital's fixed-rate structure benefited from strong community support."

Splitting the financing also let Beatrice take advantage of a lower-cost financing option, bank-qualified bonds. These specially designated bonds allow banks to deduct the interest cost of carrying the bonds, making them more profitable and thus incenting banks to accept a lower interest rate from borrowers. The American Recovery and Reinvestment Act allows borrowers to issue up to \$30 million in bank-qualified bonds each year (up from \$10 million per year, per

issuer before the Act). Beatrice's bonds were spread over two calendar years to ensure they could all be bank-qualified.

The overall interest rate for the \$45 million financing is 6.25 percent. The interest rate is fixed for 25 years.

Contacts:

Quintin Harris, Vice President, Lancaster Pollard: 319-331-5910 (cell) | qharris@lancasterpollard.com

Thomas Sommers: Beatrice Community Hospital: (402) 228-3344 | tsommers@bchhc.org