AU Medical Center Financing Update
Agenda: Information Item

• Overview of AU Health System

• Overview of existing financing arrangements

• Plan to replace short-term variable debt with long-term fixed rate debt as a result of the extension of the Master Lease (BOR approval August, 2016)

• Update on Columbia County Hospital
High Level Overview of AU Health

- AUHS Board of Directors 15 voting members (Keel, Chair/CEO)
  - 4 Regents (Wilheit, Pruitt, Hull, Waters) plus Chancellor
  - 3 appointed by Governor; 3 by Chair; President AU
  - 2 from AUMA; EVP Health Affairs (CEO AUMC)

- AU Medical Center (AUMC)
  - Operates the hospitals and clinics
  - 478 bed adult Level I Trauma Center
  - 154 bed Children's Hospital of Georgia Level IV NICU
  - More than 80 outpatient practice sites; ambulatory care centers

- AU Medical Associates (AUMA)
  - Operates the physician faculty practice
  - 560 physicians and providers
High Level Overview of AU Health

• Combined annual revenues of $800M
  • AUMC: $642M
  • AUMA:$158M

• AUMC periodically issues debt secured by a general pledge on its revenues to finance:
  • facility construction
  • improvements
  • equipment

• AUMC is rated A2/A- by Moody’s/S&P
<table>
<thead>
<tr>
<th>Debt</th>
<th>Principal Outstanding</th>
<th>Interest Rate</th>
<th>Expiration</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014A Tax Exempt Direct Placement Loan (JP Morgan)</td>
<td>$59,095,000</td>
<td>Synthetic Fix (Variable w/swap)</td>
<td>2024</td>
</tr>
<tr>
<td>2014B Tax Exempt Direct Placement Bond (TD Bank)</td>
<td>$59,095,000</td>
<td>Synthetic Fix (Variable w/swap)</td>
<td>2026</td>
</tr>
<tr>
<td>2012 Taxable Direct Bank Loan (BB&amp;T)</td>
<td>$43,870,833</td>
<td>Variable</td>
<td>2018</td>
</tr>
<tr>
<td>Equipment Capital Leases Under MSA (Philips)</td>
<td>$36,179,449</td>
<td>Fixed</td>
<td>2028</td>
</tr>
<tr>
<td>Capital Lease for VOIP Project</td>
<td>$2,000,000</td>
<td>Fixed</td>
<td>2019</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$200,240,282</strong></td>
<td><strong>3.74% blended</strong></td>
<td></td>
</tr>
</tbody>
</table>
## Proposed Refinancing + New Money

<table>
<thead>
<tr>
<th>Tax-Exempt Fixed Rate Bond Issue (publicly offered)</th>
<th>JP Morgan Underwriter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refinance BB&amp;T Loan</td>
<td>$41M</td>
</tr>
<tr>
<td>Reimburse AUMC for prior capital expenditures</td>
<td>$12M</td>
</tr>
<tr>
<td>Potential new projects (estimate)</td>
<td>$6M</td>
</tr>
<tr>
<td>AUMC cash contribution</td>
<td>(-4.5M)</td>
</tr>
<tr>
<td>Cost of Issuance</td>
<td>$1M</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$55.5M</strong></td>
</tr>
</tbody>
</table>

AUMC leverage ratio (debt to capitalization) remains at 42% as compared to June 30, 2016 (Credit Neutral)
Goals of this refinancing

Credit Positives

✓ Allocation of a portion of debt portfolio to committed debt
✓ Reducing maximum annual debt service through moderate debt extension to match the age of the assets financed
✓ Putting moderate amount of cash back on the balance sheet to improve liquidity
✓ Locking in a fixed interest rate at historically low levels
✓ Introduction of AUMC credit to the tax exempt bond market/investors ahead of financing of Columbia County financing
Rating and issuance

- S&P and Moody’s onsite week of April 17th
- Objective is to maintain A2/A- ratings
- Issuer: Richmond County Development Authority
- Pricing: First week of June

**AUMC Credit Strengths**

- Financial, governance, and management support from Georgia as clinical site for the State’s medical school
- Aligned management team
- Moderate debt level
- Solid volume trends

**AUMC Credit Weaknesses**

- Weak operating and net margins with modest debt service coverage
- Reliance on special funding sources (i.e. Medicaid supplemental payments)
- Competitive service area
- Direct purchase (i.e. contingent) debt structure
- Uncertainty around AUMC management team due to CEO vacancy
Columbia County Hospital Update

Total Square Footage: 259,649 GSF

Estimated Total Project Cost: $148,605,346

80 acres, Grovetown, Exit 190

100 beds