



# RED CAPITAL GROUP'S Small & Rural Hospital Case Study

**Hardtner Medical Center:**  
RED CAPITAL GROUP assists  
a Louisiana Hospital Service  
District through the USDA  
Financing Process.



RED CAPITAL's investment bank advised Hardtner Medical Center ("Hardtner"), located in Alla, Louisiana, on its recent financing to construct a new primary care clinic adjacent to the current hospital. Hardtner recently commenced construction of a new 14,500 square foot replacement Rural Health Clinic at an all-in project cost of \$4.5 million, including equipment. Construction is being funded by Bond Anticipation Note ("BAN") proceeds, Hospital equity contributions, and Louisiana Rural Health Grants. Interim BAN financing was provided by a local bank, which will also act as the USDA Guaranteed lender upon substantial completion of the project.

## Solution

Hardtner was working with RED CAPITAL to pursue financing for the project initially through the private placement of bank qualified bonds. As the transaction continued to progress, Hardtner experienced several setbacks in its operational improvement plan resulting in less than expected cash flow performance. In the midst of the marketing period for the financing, the credit crisis also unfolded resulting in a significant increase in aversion to risk by local and regional banks.

RED CAPITAL quickly adjusted the financing strategy, turning to the U.S. Department of Agriculture's (USDA) Community Facilities Program to keep the project moving forward. RED CAPITAL, as financial advisor, completed applications for USDA direct and guaranteed loans, securing commitments for \$2.86 million in direct loans and \$1.0 million in guaranteed loans.

RED also led the effort to select a local lending partner to act as the interim construction lender and USDA Guaranteed lender for the permanent financing.

Hardtner is organized as a Hospital Service District in the State of Louisiana and as such is a component unit of the LaSalle Parrish (or County). As a governmental entity, securing financing also required the expertise of a financial advisor to coordinate the preparation of applications for approval by the Louisiana State Bond Commission, in coordination with the USDA approval processes.

Pursuing the USDA Community Facilities financing strategy helped Hardtner eliminate variable interest rate risk, obtain a low fixed cost of capital, and to execute its strategy to expand its primary care presence.

## The Outcome

The project will replace Hardtner's current Rural Health Clinic, providing new, modern space with upgraded medical technology and improved outpatient service delivery. Hardtner will now have the space to increase its number of outpatient primary care clinic providers and the flexibility to add MRI services as demand dictates. With the larger

facility, up to four healthcare providers can see patients concurrently in the new Rural Health Clinic.

The combined USDA Direct and Guaranteed financing will result in a 4.77% weighted net interest cost for the financing with a 22.6 year blended amortization (20 years on the guaranteed financing and 25 years on the direct). The new 14,500 square foot Rural Health Clinic will enable the hospital to expand its primary care services and meet the outpatient needs of the Alla community for years to come.

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