



## Case Study:

### Medical Center of Deltona/Halifax Management Systems, Inc

Bond Sale Date: December 11, 2019

\$123,055,000 Series 2019 Tax-Exempt Fixed Rate Bonds

#### About Medical Center of Deltona:

Scheduled to open in February of 2020, the Medical Center of Deltona ("MCD"), is a 43 bed acute care hospital located in Deltona, Florida. Construction of MCD was undertaken and paid for by Health Management System, Inc. ("HMS"), an unrated non-obligated group affiliate of Halifax Health. MCD will be operated through a joint venture agreement between Halifax Health, HMS, and University of Florida Health/Shands Teaching Hospital and Clinics, Inc ("Shands"). MCD is a not-for-profit organization with anticipation of achieving 501(c)3 status in calendar year 2020.

#### Focus on Value:

Ponder served as financial advisor to Halifax Health on all aspects of the Series 2019 Bonds and the derivative agreement transaction, including management of a competitive proposal process for the placement of the debt and selection of the derivative agreement structure and counterparty. Ponder worked closely with Halifax Health to generate a competitive capital structure for MCD while minimizing any impact of the debt issuance and derivative transaction on financial statements (and debt capacity) of Halifax Health. Additionally, Ponder's trading desk provided a fair market evaluation and certification of the Series 2019 Bonds.

#### Pricing Results:

Credit Ratings: Not Rated

Series 2019 Tax-Exempt Bonds				
Maturity	Par Amount	Coupon	Yield to Maturity	Spread to MMD
2049	\$123.055	5.25%	5.25%	323 bps

  

Securities Lending Agreement			
Termination	Notional	Fixed Reciever	Variable Payer
2026	\$123.055	5.25%	SIFMA plus 72 bps

#### About the Transaction:

The unrated Series 2019 Bonds were issued through the County of Volusia, Florida by HMS as the sole obligor on the debt to reimburse HMS for prior and future capital expenditures associated with MCD. Under the provisions of the Series 2019 Bonds, MCD will replace HMS as the sole obligor upon achieving 501(c)3 status. The Series 2019 Bonds were issued at par value and may be redeemed at the option of HMS or MCD in whole or in part beginning on December 15, 2020 at 100% of the principal amount to be redeemed plus accrued interest to the redemption date.

To achieve a low cost of capital during its start-up period, MCD purchased the Series 2019 Bond from the County at closing while executing a derivative agreement with JP Morgan Chase ("JPMC"). Under the derivative agreement, JPMC borrowed the bonds from MCD in exchange for a guaranty of the purchase price of the Series 2019 Bonds and an ongoing exchange of cash flows. The ongoing cash flows will result in JPMC providing payments to MCD equal to the interest due on the Series 2019 Bond in exchange for variable rate payments from MCD equal to the SIFMA index plus 72 basis points. The scheduled termination date for the derivative agreement is December 18, 2026.

To achieve the low effective variable rate under the derivative agreement, joint and several liability guarantees were required from both Shands and Halifax. Shands provided a subordinated guarantee while HMS and Halifax Hospice, Inc. (another non-obligated group affiliate of Halifax Health) provided full faith senior lien guarantees for all payments due under the derivative agreement. In addition to the ongoing cash flows, the guarantees include a payment to JPMC of the fair value of the Series 2019 Bonds upon termination of the derivative agreement. Prior to the scheduled termination in seven years, MCD maintains the right to terminate the derivative agreement at any point after one year (JPMC does not maintain a similar option).



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