



Financing Development and Expansion

Sponsored by: Lilly Oncology

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Access to Capital

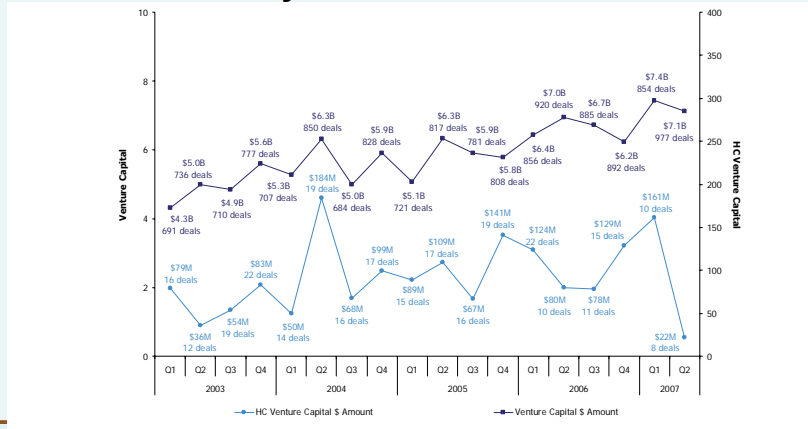
**Projects or new business enterprises can be
financed through multiple channels:**

- Debt Markets
 - Tax-Exempt
 - Taxable
 - Vendor
- Equity Markets
 - Venture Capital
 - Angels
- Partnership Models
- Alternative Sources
 - Government supported initiatives
 - Philanthropy



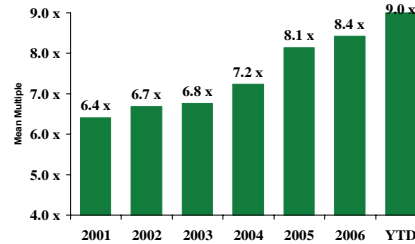
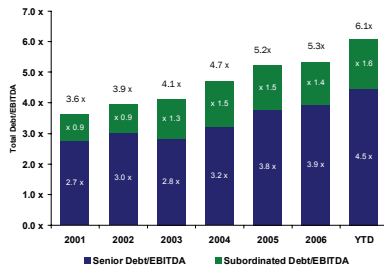
Equity Capital

Equity capital to support well-grounded business models is readily available.



Equity Capital (cont'd)

Driven by the increased availability of debt capital over past 6 years, valuations have correspondingly increased each year.



Equity Capital (cont'd)

Private equity is flowing into several healthcare services sectors that support various cancer services models:

- Re-emergence of physician practice management companies = Lessons Learned
 - Single specialty focus
 - Oncology
 - Urology
 - Pathology
 - Anesthesiology
 - “PhyCor” Model Structures
- Outpatient Service Models
 - Radiation Therapy
 - Proton Therapy
 - Gamma Knife
 - PET/CT
- Molecular Science – Genetics driven businesses



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Selected Healthcare Private Equity Investors



Selected Healthcare Private Equity Investors (cont'd)



Private Equity Backed Participants

Private equity generally has a different set of business mandates, in comparison to debt capital providers, when assessing an investment opportunity.

- Growth, growth, growth
 - De Novo or through acquisitions
 - Regional, national or global aspirations
 - Expansive service lines
- Unique, business model
 - Replicable
 - Intellectual property
- Seasoned management talent
- Identifiable exit

Debt: Funding Options and Sources of Capital

Ownership Models

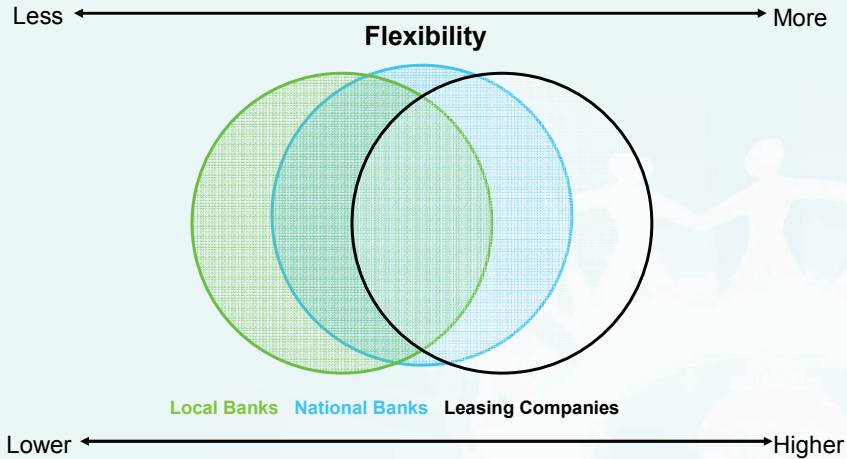
Physician-Owned

Physicians
+
Developer

Physicians
+
Hospital

Physicians
+
Hospital
+
Developer

What Are Your Financing Options?

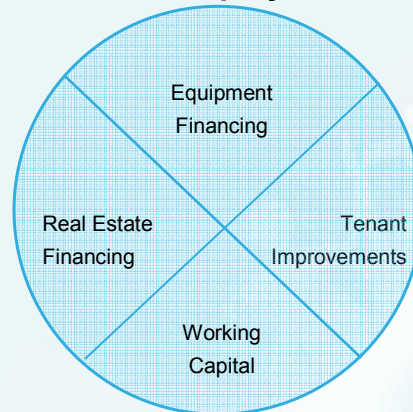


What Does a Financing Company Look For?

- Physicians: reliability of patient referrals
- Track record of developer
- Knowledge of the market
- Commitment from physicians, developer and/or hospital
 - Equity
 - Guarantees
- Adequate equity contribution (at least 20 to 25 percent)
- Sufficient working capital (at least 4 to 6 months' expenses)

Types of Loans

Need a certain amount of equity and the rest can be financed:



Loan/Lease Structure Options

- Zero and interest only payments during start up period
- Step payments
(amount increases or decreases over time)
- Terms of 60 to 84 months
- Include vault costs and some tenant improvements financing
- Working capital back-up line of credit
- Fair market value leases available
- Fee for scan or fee for use

Model Developers/Operators

Vantage Oncology **Accelitech** **USMD**
LANDMARK RADIATION **BLUE CHIP SURGICAL CENTER PARTNERS** **APTIUM ONCOLOGY**
21st Century Oncology
US RADIOSURGERY **ALLIANCE ONCOLOGY** **US Oncology**
Cancer Treatment Centers of America **EURE Medical Corp.** **AKSM**
FOLEY & LARDNER LLP **CALIFORNIA CANCER CARE** **ONCOLOGYMETRICS** **New Hampshire Oncology Hematology**

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Developer: Accelitech

- Joint venture with hospitals to provide stereotactic radiosurgery (SRS)
- The doctors select the equipment and take an equity position
- Hospital, physicians and Accelitech provide equity; Accelitech provides ongoing management



FOLEY & LARDNER LLP **CALIFORNIA CANCER CARE** **ONCOLOGYMETRICS** **New Hampshire Oncology Hematology**

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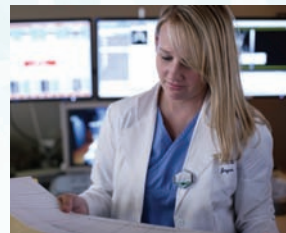
Developer: U.S. Radiosurgery

- Developer, manager and investor in SRS projects that include physician ownership, and often a hospital partner
- They are private equity backed and, therefore, have equity to invest in projects



Developer: USMD

- Developer of radiation therapy cancer treatment facilities
- Establish turn-key cancer treatment facilities for urology groups
- Often facilitate the joint venture or merger of smaller urology groups to obtain adequate patient volume and scale
- Their focus is developing and managing the center leaving 100% ownership to the doctors



Sample Transaction #1

Transaction:	New JV between hospitals and local physicians Cancer center located on hospital campus 10 year fee-for-procedure with the hospital Limited local competition Doctors provided \$1M in working capital Hospital strong financially Building and leaseholds were directly funded by the hospital Prove-up correlated by feasibility study, cancer incidence rate Strong support by community and hospital physicians
Funding Provided:	\$5,500,000
Equipment:	New Accuray Cyberknife New GE 16/S CT
Structure:	Term: 84 months
Credit Enhancements:	Assignment of "fee-for-procedure" contract

Sample Transaction #2

Transaction:	Acquisition financing of existing CyberKnife center
Funding Provided:	\$5.4M
Structure:	Term: 66 months Payments: 1-3 @ \$0 4-6 Half level payments 7-66 Level payments fully amortizing
	<ul style="list-style-type: none"> • Purpose: Finance acquisition of JV between developer, local hospital, and eight physicians (6 Radiation Oncologists, 1 Urologist, 1 Thoracic Surgeon) for an existing SRS CyberKnife center • Provided a facility comprised of a loan for \$3.75M term loan for equipment, \$1.15M to pay off tenant improvement debt, and \$500k to pay off existing working capital facility • Customer provided \$800k working capital • No Guarantees • Hospital admits patients and handles all billing & collecting

Sample Transaction #3

Transaction: De novo CyberKnife center
Funding Provided: \$5.0M
Equipment: \$3.85M
Structure: Term: 66 months
Payments: 1-3 @ \$0
4-6 Half level payments
7-66 Level payments fully amortizing

- Purpose: Finance JV between developer, local hospital, one existing Radiation Oncology practice, one existing Neurosurgery practice, and eight other Neurosurgeons for a de novo SRS CyberKnife center
- Financing included \$3.85M for equipment, \$1M for tenant improvements, and \$150k for FFE
- Customer provided \$500k working capital
- No Guarantees
- Hospital admits patients and handles all billing & collecting

Sample Transaction #4

Transaction: De novo Cancer Treatment Center using IMRT and IGRT
Funding Provided: \$5 Million
Equipment: GRT Equipment, Vault, CT, and Tenant Improvements
Structure: Term: 84 Month Capital Lease
Payments 1-3 @ \$0.00
Payments 4-6 @ Interest Only
Payments 7-84 full amortization of the total debt remaining

- Purpose – Finance Cancer Treatment Equipment, Tenant Improvements, Etc. for a 16 man Urology group
- Provided a facility that financed the Cancer Treatment Center Equipment needs with 100% financing, with no Personal Guarantees of the Physicians
- Transaction was secured by the Equipment Collateral and the Accounts Receivables of the Cancer Treatment Center

Sample Transaction #5

Transaction:	Start-up Radiation Therapy Center located in SW USA Single Radiation Oncologist-doing locums & live in area Strong prove-up correlated by cancer incidence rate Support of local referring physicians, hospital non-compete Patients had to travel 1+ hrs for radiation therapy. Physician owned property across from hospital. Building, leaseholds, working capital provided by SBA loan
Funding Provided:	\$2,800,000.00
Equipment:	New TomoTherapy System
Structure:	Term: 84 months Payments: 1-4 @ \$0 5-8 Low payments 9-84 Level payments fully amortizing.
Credit Enhancements:	PG of Physician Key man Life, disability insurance on Physician Subordination of distributions Lien on second home Supportive letter from hospital provided

Sample Transaction #6

Transaction:	Takeover operations and equipment purchase of financially troubled cancer treatment facility
Funding Provided:	\$1.425M
Equipment:	One year old Siemens Primus IMRT System One year old Philips Diamond Select Special CT
Structure:	Term Loan -78 months Payments – months 1-3 @ 0; months 4 -78 level payments fully amortizing Working capital- 48 months with 12 months interest only and 36 months level payments fully amortizing
	<ul style="list-style-type: none"> • Purpose: Finance JV between developer and one medical oncologist purchasing financially troubled cancer treatment center located at the cancer treatment medical facility of a hospital • Lender provided a \$1.1M term loan and a \$325k for working capital • Customer provided \$50k in working capital • Transaction secured by corporate guarantees of the owners on a pro-rata basis and joint and several personal guarantees of the developer and the medical oncologist. The combined guarantee amount is limited to \$490k

Sample Transaction #7

Transaction:	New JV between two hospitals 60%/40% ownership Cancer center located on hospital campus 10 year non-compete agreement 20 mile radius Limited local competition JV provided \$2M in working capital. Both hospitals strong financially Building and leaseholds funded by bank financing Prove-up correlated by feasibility study, cancer incidence rate Strong support by community and hospital physicians
Funding Provided:	\$4,280,000.00
Equipment:	New Varian Trilogy System New GE 16/S CT
Structure:	Term: 84 months
Credit Enhancements:	Subordination of distributions to JV Ownership

Questions?

Contact Us

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