

## Deal Spotlight: Long-Term Care

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### **Diakon Lutheran Social Ministries Cumberland County Municipal Authority, Pennsylvania**

\$47,400,000 (Series B)

UW: Bear, Stearns & Co. Inc.

Ratings: AA (S&P and Fitch)

Ziegler Capital Markets Group

Underlying Rating: BBB+ (Fitch)

Dated Date: 1/30/07

Diakon Lutheran Social Ministries (“Diakon Lutheran”) issued \$47.4 million of Series B auction rate securities through the Cumberland County Municipal Authority.

Diakon Lutheran, formerly known as Tressler Lutheran Services, is a social ministry organization of the Evangelical Lutheran Church in America. Diakon Lutheran provides senior living and health services along with family and community ministry services in various facilities in Pennsylvania, Maryland, and Delaware.

The obligated group, together with the parent company, Diakon, is one of the largest not-for-profit senior living operators serving the Pennsylvania, Maryland, and Delaware market. The obligated group consists of 11 facilities located in Pennsylvania and Maryland, which include 1,006 skilled nursing beds, 628 assisted living units and 890 independent living units. Diakon Lutheran enjoys favorable occupancy trends with all care levels averaging 95% over the past three years.

The bonds are secured by the gross revenues of the Obligated Group and mortgages on each of the facilities. Bond proceeds refunded outstanding Ambac-insured Series 1998A bonds. \$62 million of uninsured Series A fixed rate bonds were also recently issued. The proceeds from that new money series will fund the repositioning of a facility and various capital projects across the Obligated Group. Radian also insures \$42,820,000 of Diakon Lutheran’s Series 2003 Bonds.

Diakon Lutheran has an underlying rating of BBB+ from Fitch. However, they accessed the market at lower interest rates based on Radian’s AA ratings. The initial rate for this 35-day auction was set at a 3.70%.

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