

Deal Spotlight: Long-Term Care

Hollenbeck Palms/Magnolia Court California Statewide Communities Development Authority

Assisted Living Facilities Revenue Bonds

\$25,300,000 (Series A)

\$2,700,000 (Series A-T, Taxable)

Ratings: AA (S&P and Fitch)

UW: Citigroup Global Markets Inc.

Dated Date: 2/23/07

Hollenbeck Palms (“HP”) issued \$28 million of tax-exempt and taxable bonds through the California Statewide Communities Development Authority.

HP currently owns and operates a continuing care retirement community on an 8-acre site approximately two miles southeast of downtown Los Angeles. HP is one of the oldest retirement communities in the nation. In fact, it received the very first retirement home license issued by the State of California after licensing regulations were passed in 1926.

HP operates 111 Residential Care for the Elderly (“RCFE”) beds and 95 skilled nursing facility beds. HP’s high utilization of their RCFE beds is evident with occupancy levels averaging 97% - the RCFE license gives HP the flexibility to freely reconfigure its licensed beds for independent living, assisted living or Alzheimer’s/dementia care use as necessary. As of November 2006, HP’s Cash and Investments totaled \$35.3 million, the equivalent of 1,182 days cash on hand. This issue represents HP’s first ever debt issuance as they have traditionally funded all capital projects from operations or cash reserves.

The bonds are secured by a pledge of gross revenues and a mortgage on the main campus. The bond proceeds will be used to construct a new building containing 32 RCFEs, a new dining hall and some common space. Additionally, proceeds will be used to build a 51-space underground parking lot and renovate existing common space in certain buildings.

HP accessed the market at lower interest rates based on Radian’s AA rating. Attached are sample maturities with their spread to the relevant market benchmark.

Series A, Tax-Exempt

Maturity	2017	2027	2037
Coupon	4.20%	4.50%	4.60%
Yield	4.20%	4.50%	4.60%
Spread to MMDL High Grade (bps)	+42	+51	+52
Spread to 4.50% Coupon MMDL High Grade (bps)	N/A	+26	+24

Series A-T, Taxable

Maturity	2015
Coupon	5.59%
Yield	5.59%
Spread to the 10-yr U.S. Treasury (bps)	+88

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