

Deal Spotlight: Healthcare

Hospital for Special Care Connecticut Health and Educational Facilities Authority

\$46,635,000 – Fixed Rate (Series C)

UW: RBC Capital Markets

\$15,000,000 – Variable Rate (Series D)

Dated Date: 6/28/07

Rating: AA (S&P)

Underlying Rating: BBB- (S&P)

The Connecticut Health and Educational Facilities Authority issued nearly \$47 million of Series C fixed rate bonds and \$15 million of Series D variable rate bonds. The proceeds were loaned to the Hospital for Special Care (the “Hospital”).

The Hospital and its affiliate, HSC Community Services, Inc., (“HSCCSI”) specialize in the care of patients requiring comprehensive medical management of complex chronic diseases or intensive rehabilitation. The Hospital, with 228 beds, is located on a 29.5-acre site in New Britain, CT. HSCCSI is a sister entity of the Hospital and operates Brittany Farms Health Center, a skilled and intermediate long-term facility, also in New Britain.

The Hospital’s service area is the State of Connecticut (the “State”), with a population base of 3.5 million residents, and Western Massachusetts. The greatest number of admissions is from Hartford County. During fiscal year 2007, the Hospital provided inpatient services to patients from 107 Connecticut communities.

In addition to the Hospital, there are only five other facilities in the State that are licensed for chronic disease beds. Unlike the Hospital, each of those five facilities limits care to a restricted population of individuals, limits care to adults in short-term rehabilitation or limits care only those patients at the facility’s own skilled nursing or residential program. The Hospital is unique in that it provides broader levels of care to a greater range of individuals.

The bonds are secured by a pledge of gross revenues of the Obligated Group. The Obligated Group consists of the Hospital, HSCCSI and the Foundation of Special Care, a 501(c)(3) corporation. The deal is further secured by a mortgage on the main hospital campus. The bond proceeds will refinance existing debt and fund an electronic medical records system.

With a BBB- underlying rating from S&P, the Hospital accessed the market at lower interest rates based on Radian’s AA rating. The 2037 maturity of the fixed rate bonds offered a 5.25% coupon priced to the 10-year call at a yield of 4.97%, 43 basis points over the Municipal Market Data Line AAA GO Index. Meanwhile, the rate of the initial weekly variable rate remarketing was 3.75%, compared to a weekly SIFMA/BMA Swap Index of 3.73%.

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