

Deal Spotlight: Healthcare

Pella Regional Health Center Iowa Finance Authority

\$46,745,000

Ratings: AA/Aa3/AA

Underlying Rating: BBB- (Fitch)

UW: Merrill Lynch & Co.

Dated Date: 9/28/06

Radian Insures Its First Critical Access Hospital

Pella Regional Health Center (“PRHC” or the “Hospital”) issued \$46.745 million of fixed rate bonds through the Iowa Finance Authority.

PRCH is located on a 15-acre campus in Pella, Iowa, approximately 40 miles southeast of Des Moines in the south-central portion of the state. Originally established in 1960 as Pella Community Hospital (“PCH”), PCH initially opened with 33 licensed beds. In 1996, PCH acquired Pella Medical Clinic and the new entity became PRHC.

PRHC was re-licensed as a Critical Access Hospital (“CAH”) on January 1, 2005 and now only staffs 25-beds in compliance with CAH requirements. PRHC also operates an outpatient clinic in Pella, four satellite Family Health Centers in surrounding towns, a nursing home and residential housing facilities. As a CAH, PRHC benefits from cost-based reimbursement for Medicare services and greater flexibility in physician recruitment and retention. This cost-based reimbursement, along with operational improvements implemented by management, has improved the overall financial health of the Hospital.

The Hospital captures a leading 37% of the market share in Marion County, a region where access is limited by rural roads. Among CAHs in Iowa, PRHC is among the leading providers in terms of admissions, outpatient visits and births. In addition, PRHC’s clinical affiliations with the University of Iowa School of Medicine and the Osteopathic School of Medicine in Des Moines have enhanced its reputation for rural medicine.

The bonds are secured by the gross revenues of PRCH with a mortgage on the main hospital campus. PRCH used the proceeds of the bonds to refund \$9.6mm in outstanding Series 2000 bonds, refinance a \$2.0mm mortgage note payable and finance the expansion and renovation of several departments and facilities, including the ER, Imaging and Surgery departments and a new medical-surgical inpatient floor.

PRCH, which has a BBB- underlying rating from Fitch, accessed the market at lower interest rates based on Radian’s “AA” ratings. Attached are sample maturities with their spread to the Municipal Market Data Line (MMDL) AAA GO Index.

Maturity	2021*	2031	2039*
Coupon	5.00%	4.75%	5.00%
Yield	4.37%	4.75%	4.69%
Spread to MMDL High Grade (bps)	+40	+55	+43**

* Priced to the 10-year call.

** Spread to 2036 MMDL

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Radian Asset Assurance Deal Spotlight: Pella Regional Health Center, Iowa