

Deal Spotlight: Human Service Provider

Developmental and Mental Health Services Acquisition Pool Vermont Educational and Health Buildings Financing Agency

\$13,625,000

Series A & B

Ratings: Aa3/AA (S&P)

Underlying Rating: BBB (S&P)

UW: Municipal Capital Markets Group, Inc.

Dated Date: 8/1/06

The Vermont Educational and Health Buildings Financing Agency issued bonds on behalf of a pool of four community service providers: Healthcare & Rehabilitation Services (“HCRS”), NFI Vermont Inc. (“NFI”), Clara Martin Center (“CMC”), and Washington County Mental Health Services (“WCMHS”) (collectively, the “Providers”).

HCRS, which received \$10.77 million, is a community-based human service agency specializing in the delivery of services related to mental health, substance abuse and developmental disabilities. HCRS serves Windham and Windsor County. NFI, which received \$1.03 million, provides community based mental health services to children, adolescents and their families. CMC, which received \$1.11 million, provides community mental health services to the greater Orange County area in three major locations, as well as in area schools. WCMHS, which received \$718,000, was organized to provide mental health and development disability services to the residents of Washington County and three towns in Orange County.

The Providers are licensed by the State and assigned specific geographic regions, with the exception of NFI, which operates statewide, to provide various services to developmentally disabled residents of Vermont. These organizations are the only providers of state-paid mental health and developmental services in their respective service areas and therefore have virtually no competition. By employing a community based designated provider strategy, the State has a significant interest in the success of these operations since it is the sole mechanism they have for providing such specialized services to this part of their population. The State strongly supports services and programs for the developmentally disabled and special needs population, with over \$218 million of state and federal funding budgeted in 2006 for designated providers' contracts.

The bonds are secured by a gross revenue pledge of each provider. Each provider is responsible for only its pro-rata share of the proceeds. The providers used the proceeds of the bonds to pay off bank debt, finance new facility construction, renovate office space, and/or fund issuance costs. \$13.31 million of the bonds were issued as tax-exempt Series A bonds while the remainder was Series B taxable bonds. The Providers accessed the market at lower interest rates based on Radian’s “AA” ratings.

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