



Ambac Insures \$423 Million Bond Offering for Premier California Hospital

Transaction Among Largest of Ambac's Hospital Guarantees



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\$422,950,000

City of Newport Beach - Hoag Memorial Hospital Presbyterian Insured Auction Rate Securities

Hoag Memorial Hospital Presbyterian is a large full-service hospital located in Newport Beach, California. Hoag, which has one of the highest credit ratings of hospitals in the U.S., enjoys a longstanding reputation for providing excellent clinical care to its community. Newport Beach is home to many celebrities, entertainment industry executives and other wealthy individuals. Being the leader at serving the health needs of this highly educated and discerning patient base has been a key advantage for Hoag over the years.

To maintain its leading market position and operational strength, and to comply with the state's rigorous seismic building requirements, Hoag has embarked on an ambitious \$1 billion capital plan. An important early step in that plan was a major debt issue to finance construction and expansion of needed facilities, a debt issue that would benefit from a top-rated financial guarantee.

Although the size of the planned offering of more than \$400 million presented capacity concerns for certain financial guarantors, Ambac was able to offer Hoag sufficient capacity to insure all of the bonds at an attractive price. For Ambac, Hoag's key strengths include the hospital's impeccable clinical and patient service reputation, which is supported by a strong and defensible market share, a large, liquid balance sheet, impressive profitability, and a highly regarded management team. In addition, the hospital benefits from wide-ranging philanthropic support from throughout its Orange County, California service area.

Providing sufficient bondholder security is a key consideration for Ambac. Consequently, hospital management agreed to secure the bonds with a pledge of the hospital's gross receivables. Hoag's prior bond financings were issued on an unsecured basis. The current offering, \$422,950,000 in insured auction-rate securities, was successfully issued in May 2007. \$250 million of the bonds were converted to a synthetic fixed rate through a Citi swap, also insured by Ambac.

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