

**Ambac**

## Well-Regarded Issuer Chooses Bond Insurance To Enable Access To Auction Rate Market

\$352,700,000

**Industrial Development Authority (Inova Health System)**  
Revenue Bonds

A leading health care provider in the greater Washington, D.C. area, Inova Health Systems has consistently enjoyed a strong reputation as a solid credit in the health care finance market. Late in 2004, Inova's board-approved acquisition of Loudon Healthcare, which includes the primary hospital in fast-growing Loudon County, Virginia. Inova's acquisition included a commitment to expand and improve the hospital enabling it to better serve the region. Inova decided to turn to the debt markets to finance the \$200 million improvement plan and access additional funds for new money projects, as well as to refund existing higher priced debt. As the size of the planned transaction grew to over \$500 million, Inova decided to access competitive interest rates available in the auction rate market. Such a move would necessitate using financial guarantee insurance for the first time.

After a robust competitive process, Ambac was selected to provide the triple-A-rated guarantee for a majority of the overall bond issue. Consisting of five tranches, Inova's \$576 million offering included the following: \$124.2 million of new Series 2005A bonds as uninsured variable rate demand bonds (VRDBs) and \$77.0 million of new Series 2005B bonds as insured auction rate securities, all for new money projects; \$93 million of Series 2005C uninsured VRDBs to refund outstanding Series 1996 fixed rate bonds; refunding \$200 million of outstanding Series 2001 and converting those uninsured auction rate securities to insured auction rate; and \$164 million of Series 2005D insured auction rate securities for current and advanced refunding of outstanding obligations, including the bank loan underlying the Loudon Healthcare acquisition.

Contact:

Steven C. Renn  
Managing Director  
(212) 208-3221  
srenn@ambac.com

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