

**Ambac**

# Guaranteed Bonds Enable Salvation Army to Reduce Funding Costs

Ambac Applies Credit Expertise to Not-for-Profit Sector

\$74,625,000

**California Infrastructure and Economic Development Bank**

Refunding Revenue Bonds

(The Salvation Army - Western Territory)

\$56,015,000

**The Salvation Army**

Taxable Revenue Bonds

Since 1865, the Salvation Army has served wide segments of society, becoming an internationally respected religious and charitable organization. Their Western Territory unit (TSA-WT) is an active and financially strong organization, covering 13 western-U.S. states. TSA-WT enjoys a strong reputation for its community and service efforts as well as for sound financial management.

In 2006, TSA-WT decided to reduce financing costs by refunding previously issued taxable bonds and paying off a commercial paper program, which was supported by a letter of credit. Much of the proceeds from the earlier financings were originally used to construct the Ray and Joan Kroc Community Center in San Diego, an active and vibrant part of TSA-WT's outreach. Key to achieving the desired savings was the ability of TSA-WT to secure a top-rated guarantee on any new bonds to be issued. Ambac, with previous experience in analyzing and approving not-for-profit credits, was selected to help TSA-WT create a cost-efficient refunding issue.

The organization made headlines in 2004 when it received a \$1.5 billion gift from the estate of longtime Salvation Army supporter Joan Kroc, wife of the McDonald's founder. That sizeable gift, however, was restricted solely for the construction and operation of new community centers. Although the bequest was inspired by the success of the original Ray and Joan Kroc Center, terms of the gift stated that none of the funds can be used to pay debt service. Nevertheless, it enhanced the Salvation Army's mission and is testament to the accomplishments of this important institution.

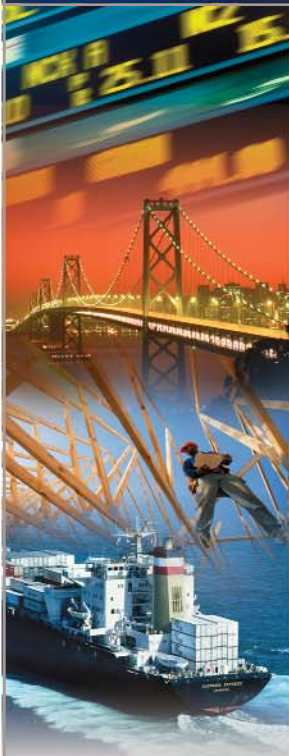
Ambac provided its triple-A rated guarantee to the \$74.6 million Series A Bonds issued through the California Infrastructure and Economic Development Bank and to the \$56 million Taxable Series B Bonds issued directly by The Salvation Army. The bonds are a general obligation of TSA-WT and therefore required that Ambac gain comfort with the strength of the TSA-WT credit on a standalone basis. The two bond issues were successfully sold into the market in September 2006.

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