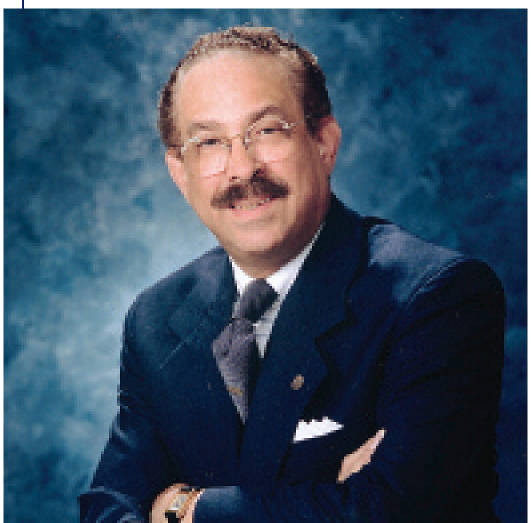
Fall 2008

THE AUTHORITY

Chairman Robert Bogle values Authority's contribution to region



Robert Bogle

There may be no Philadelphian more active in and committed to his community than *Philadelphia Tribune* President and Chief Executive Officer, Robert Bogle. Serving in leadership positions with organizations as diverse as the Workforce Investment Board, the Kimmel Center, and the Zoological Society of Philadelphia, Bogle counts among his most important roles that of Chair of the Hospitals and Higher Education Facilities Authority of Philadelphia. A member of the Authority's Board since 1992, Bogle was elected Chair in 2001.

"The Authority serves as a catalyst for the medical community, providing tax free funding for building its infrastructure. That's good for business, for hospitals, for the City, and for the whole region. In that way, the Authority has a positive impact on the quality of life for us all," said Bogle.

In the 1990s, when hospital consolidations began and for-profit health systems arrived in Philadelphia, the Authority was there to help the medical community in a difficult time, he says. "When the Allegheny system collapsed, the Authority played a critical role in helping to grow the entire health system for the region. There is national and international acceptance that Philadelphia has some of the best institutions in the country and that is due, in part, because of the funding the Authority has made

Continued on page 2

Authority relocates to JFK Boulevard

In February 2008 the Authority moved from its long-time home in the Land Title Building on South Broad Street to 1800 JFK Boulevard, Suite 1800, Philadelphia. "We seized the opportunity to find more efficient space when our lease ended," said Wayne Mugrauer, Authority CEO.

"The new space is bright and efficient, and keeps us central to the institutions we serve," said Mugrauer.

The Authority's telephone number (215.586.8100) and email (info@hospitalhighered.com) remain the same.

Temple University Health System

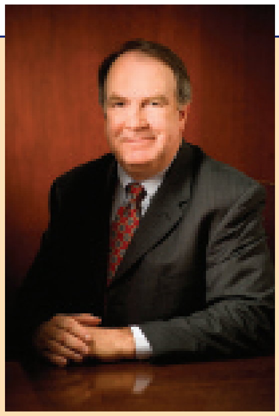
Temple University Health System is one of the reasons Philadelphia is known internationally as a world class city for health care, cutting edge treatment, and medical education. Since 1981, TUHS has relied upon the Authority to help modernize facilities and restructure debt associated with turning Temple University Hospital into a health system.

"We believe that access to tax-exempt debt markets is essential for

Continued on page 5

Outlook on the Future

By Wayne Mugrauer, President and CEO



Dear Friends,

Recent months have seen many new challenges and additional complexity in not-for-profit bond financings. Few predicted the auction rate securities crisis and the negative impact it could create for even the financially strongest institutions. As the market continues to show signs of instability, many worthy projects have been temporarily slowed or withdrawn from active consideration. Institutional clients have also incurred considerable time and financial expense as they restructured this debt to other options. In recognition of these uncertain times, The Hospitals and Higher Education Facilities Authority of Philadelphia has responded quickly and positively. Recognizing the value of timeliness, we streamlined the approval process, reduced costs and took steps to add value to every financing. While the timing of any crisis is never known, we remain the fortunate beneficiaries of a new City administration that encourages economic development and promotes efficient service. In the future, we will continue to place the needs of our clients and their service missions at the forefront of our actions. As we continue to announce innovative new programs designed to meet evolving needs, we look forward to working with you.

Chairman Robert Bogle values Authority's contribution to region

Continued from page 1

possible for our non-profits."

Bogle sees challenges in the future for Philadelphia's institutions of health and education. "There are difficult days ahead in healthcare as costs spiral and managed care struggles to contain costs," says Bogle. "As the number of institutions is consolidated to a few large systems, it will be up to the Authority to find new ways to provide effective, timely, competitive service to these large institutions."

"I have complete confidence in the leadership and staff of the Authority. We have smart, committed people there who are taking the pulse of the healthcare community and understand the issues."

"We must revisit how healthcare is delivered. Cost drives decisions about patient care, facilities, and equipment, and we will have to come together as a nation to rethink our systems. It's my point of view that it is our responsibility to deliver the best healthcare to *everyone*. The Hospitals and Higher Education Facilities Authority can be part of that conversation."

Capital Financing Seminars

Are you considering tax-exempt financing with the Authority but don't know where to start?

Are you still contemplating whether tax-exempt financing is a good fit for your organization?

On Tuesday, October 28, 2008 from 9:00 a.m. to 10:30 a.m. the Authority will present an Introduction to Capital Financing. This will be the first of an on-going series of seminars designed for CEOs, CFOs, and other executives who participate in the financing process. Experts in the field of tax-exempt financing will discuss options and answer questions for first-time borrowers as well as repeat clients. A second workshop will be held on the same day from 1:00 p.m. to 2:30 p.m. All workshops are free and will be held in the Authority Board Room at 1800 John F. Kennedy Blvd.

Space is limited so please RSVP early at 215.568.8100. Light refreshments will be provided.

Frequently Asked Questions

What is the Hospitals and Higher Education Facilities Authority of Philadelphia?

The Hospitals and Higher Education Facilities Authority of Philadelphia ("the Authority") was created in 1974 as "The Hospitals Authority" under the Municipality Authorities Act of 1945 to offer non-profit hospitals a low interest, long-term borrowing vehicle for capital construction and improvements through tax-exempt municipal bonds.

The present name of the agency was adopted in 1983, when City Council approved an ordinance to allow the tax-free financing of construction and renovation for secondary and higher educational facilities. Recent ordinances permit tax-free bond issues for the financing of nursing and rehabilitative facilities, short-term amortized equipment purchase, and working capital.

What kinds of institutions can apply to the Authority for tax-exempt financing?

- not for profit, nonsectarian hospital facilities, including teaching hospitals;
- private, not for profit, nonsectarian colleges and universities, Commonwealth-related universities, community colleges and secondary schools;
- health centers for persons who are eligible for intermediate care and rehabilitative services;
- state-licensed long-term care nursing facilities providing health care services to the community.
- religious-affiliated institutions are welcomed to apply, if their service to the community is nonsectarian.

Continued on page 6

Useful Financial Ratios For Private Colleges and Universities, Continuing Care Retirement Communities & Healthcare

Standard & Poor's has released data on financial ratios for its rated private colleges and universities for fiscal year 2006. They continue to use a broad spectrum of financial and demand ratios in determining both a rating and the outlook for college and university bond financings. The following medians are based on a sample size of private colleges and universities. The financial ratios are compiled from fiscal year 2006.

RATING CATEGORY (Medians Used)

	AAA	AA	A	BBB
Tuition (%)	22.4	45.5	66.1	73.7
Grants & Contracts (%)	22.5	2.4	2.0	1.4
Investment & Endowment Income (%)	16.3	11.4	4.4	1.7
Financial Aid Burden (%)*	7.4	15.4	18.2	18.9
Total Outstanding Debt ($000s)	882,701	169,690	75,585	36,944
Current Debt Service Burden (%)*	3.4	3.6	4.4	4.6
Cash & Investments to Operations (%)*	865.6	402.3	159.0	69.6
Cash & Investments to Debt (%)*	929.8	587.3	274.0	125.8
Unrestricted Resources to Debt (%)*	473.6	295.0	156.5	57.3
Net Tuition ($) per FTE	19,941	19,731	17,035	13,697
Total Adjusted Operating Revenue ($) per FTE	159,939	63,892	39,051	27,203
Unrestricted Resources ($) per FTE	471,815	149,666	36,744	9,046

To receive a complete listing of the ratios, please contact Standard & Poor's at (212) 438-2079 or go to www.standardandpoors.com.
(Source: Standard & Poor's Public Finance; July 24, 2007)

Outlook & Medians For Healthcare

Moody's Investors Service has recently released data on Fiscal Year 2006 Not-for-Profit Hospital Medians for both the not-for-profit hospitals and healthcare systems. The medians are based on an analysis of audited fiscal year 2006 financial statements and utilization data for 399 freestanding hospitals and single-state healthcare systems and 17 multi-state healthcare systems, representing 91% of Moody's publicly-rated portfolio that are eligible to be included in the medians.

MEDIANS BY BROAD RANGE CATEGORY, 2006

	All Ratings	Aa	A	BAA	Below Baa
Median Sample Size	399	49	187	134	29
Operating Margin*	2.3%	4.4%	3.2%	1.0%	-0.4%
Excess Margin*	4.9%	7.8%	5.8%	2.8%	0.0%
Maximum Annual Debt Service Coverage (x)*	3.9	5.8	4.6	3.0	1.7
Cash on Hand (Days)*	154.1	231.3	177.3	109.6	57.9
Cushion Ratio (x)*	13.7	24.5	16.5	9.0	3.5
Debt-to-Capitalization*	39.1%	31.0%	36.2%	46.4%	66.0%

MEDIANS FISCAL YEARS 2002–2006

All ratings	**2002**	**2003**	**2004**	**2005**	**2006**
Sample Size	399	399	399	399	399
Operating Margin*	1.5%	1.4%	2.0%	2.7%	2.3%
Excess Margin*	3.7%	3.7%	4.4%	5.1%	4.9%
Maximum Annual Debt Service Coverage (x)*	3.3	3.5	3.7	4.0	3.9
Cash on Hand (Days)*	129.9	137.3	145.7	151.5	154.1
Cushion Ratio (x)*	10.2	10.9	11.9	13.5	13.7
Debt-to-Capitalization*	42.0%	42.3%	40.9%	40.2%	39.1%

To receive a complete copy of this report, please contact Moody's at (212) 553-1423 or go to www.moodys.com.
(Source: Moody's Investors Service – Not-for-Profit Hospital Medians for Fiscal Year 2006; August 2007)

Ratios For Continuing Care Retirement Communities

Fitch Ratings has released data on 2006 Median Ratios for Continuing Care Retirement Communities (CCRCs). In 2006, Fitch maintained ratings on 67 CCRCs, 23 of which were in the 'A' rating category, 38 in the 'BBB' rating category, and six rated below investment grade. Fitch's 67 CCRC credits operate more than 34,400 independent living units (ILUs), 7,699 assisted living units (ALUs), and 13,832 skilled nursing beds (SNBs) nationwide. However, the medians in this report represent only investment-grade credits, a group financially stronger than the industry norm, as most CCRCs are not rated. In fact, less than 10% of the CCRCs reviewed by Fitch's Health Care group actually achieve an investment-grade rating.

CCRC MEDIANS BY RATING CATEGORY

	IG*Medians		**'A' Medians**		**'BBB' Medians**	
	2005	**2006**	**2005**	**2006**	**2005**	**2006**
IG* Credits	51	61	20	23	31	38
Days Cash on Hand*	405	416	659	619	292	321
Cushion Ratio (x)*	9.7	9.1	12.7	15.1	7.6	7.5
Operating Ratio (%)*	95.2	93.8	94.6	91.7	95.9	95.0
Excess Margin (%)*	3.5	5.1	3.6	5.9	3.5	4.8
MADS Coverage Ratio – Revenues Only (x)*	0.9	1.3	1.0	1.5	0.9	1.1
Debt-to-Capitalization (%)*	73.5	71.9	57.0	52.0	79.1	80.8

CCRC MEDIANS BY CONTRACT TYPE

	Type A		**Type B**		**Type C**	
	2005	**2006**	**2005**	**2006**	**2005**	**2006**
Total Number of Credits	20	23	14	17	22	27
Days Cash on Hand*	507	511	349	417	320	321
Cushion Ratio (x)*	9.8	8.4	7.2	7.6	10.4	9.1
Operating Ratio (%)*	100.5	98.6	97.4	96.7	89.1	90.0
Excess Margin (%)*	3.0	4.8	1.6	3.4	3.9	5.3
MADS Coverage Ratio – Revenue Only (x)*	0.6	0.8	0.9	0.8	1.6	1.7
Debt-to-Capitalization (%)*	86.9	86.3	73.7	78.3	55.2	59.8

To receive a complete copy of this report, please contact Fitch Ratings at (212) 908-0500 or go to www.fitchratings.com.
(Source: Fitch Ratings Public Finance – 2007 Median Ratios for Continuing Care Retirement Communities; September 14, 2007)

***Definitions**

Financial Aid Burden (%) – Total financial aid costs/total operating expenses

Current Debt Service Burden (%) – Current debt service/total operating expenses

Cash & Investments to Operations (%) – Total cash and investments/total operating expenses

Cash & Investments to Debt (%) – Total cash and investments/total debt

Unrestricted Resources to Debt (%) – Unrestricted resources/total debt

Operating Margin (%) – (total operating revenue – total operating expenses) / total operating revenue

Excess Margin (%) – (total operating revenue – total operating expenses + nonoperating income) / (total operating revenue + non operating income)

Maximum Annual Debt Service Coverage (x) – net revenue available for debt service / estimated future peak principal payments and interest expense

Cash on Hand (days) – (unrestricted cash and investments x 365) / (total operating expenses – depreciation and amortization expenses)

Cushion Ratio (x) – unrestricted cash and investments / estimated future peak debt service

Debt-to-Capitalization (%) – (long-term debt + short-term debt) / (long-term debt + short-term debt + unrestricted fund balance)

IG – Investment Grade

Type A – Extensive Agreement (Life Care): In addition to housing, residential services, and amenities, this

contract includes an unlimited amount of nursing care with no increase in monthly service fees.

Type B – Modified Agreement: This contract includes housing, residential services, and amenities. It also covers a certain amount of long-term nursing care (e.g. 30 days per year).

Type C – Fee-For-Service: This contract includes housing, residential services, and amenities. Residents have guaranteed access to the CCRC's nursing home but pay prevailing market rates.

Days Cash on Hand – unrestricted cash and investments / daily cash operating expenses

Cushion Ratio (x) – unrestricted cash and investments / maximum annual debt service (MADS)

Operating Ratio (%) – (total operating expenses – depreciation and amortization expense) / (total revenue – amortization of advance fees)

Excess Margin (%) – (total operating revenues – total operating expenses + non-operating revenues) / (total

operating revenues + non-operating revenues)

Debt Service Coverage Ratio (x) – (excess income (loss) + interest, depreciation, and amortization expenses – amortization of advance fees + net advance fees received) / MADS

Debt-to-Capitalization (%) – (long-term debt + capital leases – current maturities) / (long-term debt + capital leases – current maturities + unrestricted net assets)

A Range of Services

The Authority offers a range of financing products to our educational, health and related nonprofit clients:

- *Long Term Public Issue Bond Financing.* Usually between $10 million and $300 million or more, these traditional fully-amortized term bonds are issued at prevailing market rates. This instrument offers the security of fixed interest rates and the opportunity to fix interest costs.
- *Fixed Rate Short to Intermediate Term Bonds & Notes.* A variation of traditional fixed rate long term bonds, these fully-amortized bonds allow for shorter prepayment provisions thereby retiring the principal over a shorter maturity. These bonds are generally issued for 10–15 years with a 5–8 year prepayment provision. Notes are also available for smaller amounts and shorter timeframes.
- *Variable Rate Composite Bonds.* These bonds feature nominal long-term maturity with daily or weekly interest rate adjustments. Borrowers can take advantage of low short-term rates and later lock in a fixed rate without many of the costs of a new issuance. Available on a pooled basis.
- *Quick Lease Financing Program.* Designed for nonprofit organizations that require short term, tax-exempt lease financing for equipment acquisition. Rapid access to capital for organizations that have short-term equipment capital needs of between $250,000 and $30 million. Available on a pooled basis.
- *Private Placement Financing.* This is a fixed rate program that can be used by all borrowers, but is primarily suited for non-investment grade credits.
- *Capital Asset Financing.* Similar to the Variable rate composite option, this option provides short term variable rate pooled financing to one or multiple borrowers needing smaller loans. It provides for better management of capital expenses and cost efficient issuance.
- *Refunding of Prior Debt.* Often undertaken to benefit from reduced interest rates or to avoid the restrictive covenants or collateral requirements of a prior financing.

We also provide other services, as needed:

- *Educational Seminars and Speakers Bureau Presentations.* We speak frequently on finance and related healthcare and education topics are provided upon request.
- Institutional Consultations. We consult with a wide range of organizations regarding issuance related matters.

Temple

Continued from page 1

the success of the health care enterprise," said Thomas Queenan, Associate Vice President Treasury Services, and spokesperson for TUHS. "It allows capital expansion and upgrades to ensure the quality of care we provide in Philadelphia is the best anywhere."

While numerous projects have been completed with the help of $742 million in Authority funding in the past 27 years, the most recent project is the construction of Temple's Ambulatory Care Center, completed in 2007. The Center houses the renowned Temple Lung Center, which attracts patients from around the world. The physical space boasts soaring ceilings and a light-filled space. What's more important are the special features designed for the lung patient, including sources for containerized oxygen for those patients who need assistance to breathe. Staffed with pulmonologists and specially trained nurses and therapists, Temple's Lung Center is a resource to the world.

TUHS has not only used Authority financing to expand its facilities and upgrade capital equipment, but has restructured its debt several times over the past three decades as it added to its system. "Temple has been fortunate in that we successfully completed a long term debt restructuring prior to the recent credit and market turmoil for healthcare. Nonetheless, we have high confidence in our ability to issue our debt successfully through the Authority on an ongoing basis," said Queenan.

The Hospitals and Higher Education Facilities Authority at a Glance

Founded	1974
Leadership	Robert W. Bogle, Chairman Wayne A. Mugrauer, President and CEO
Bonds Issued	More than 125 issues to date
Amount Funded	Approximately 7 billion dollars to date
Funding for	Not for profit / Non-sectarian: Sub-acute and long-term healthcare, universities, colleges, community colleges and secondary schools, health centers and projects, MH/MR projects
Representative List of Clients	Children's Hospital of Philadelphia, Community College of Philadelphia, Jefferson Health System, North Philadelphia Health System, Philadelphia MH/MR Project, Philadelphia Protestant Home, SPIN Inc., Temple University Health System

Frequently Asked Questions

Continued from page 3

Why is tax-free financing an attractive option for the non-profit borrower?

The interest rate on tax-exempt financing is substantially reduced, making Authority financing an attractive alternative to commercial borrowing.

How do I find out more?

You can contact the Authority directly at 215-568-8100. Or, enroll in one of the Authority's periodic informational seminars designed especially for the leadership of Philadelphia's non-profit healthcare, higher education, or long-term care institutions.

The Hospitals & Higher Education Facilities
Authority of Philadelphia

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