

TEXAS CHILDREN'S HOSPITAL ISSUES BONDS TO FUND LARGEST EXPANSION  
IN TEXAS  
MEDICAL CENTER HISTORY

Houston, June 23 - Backed by stellar ratings from three of the country's leading security and investment firms, Texas Children's Hospital in Houston has issued US dlrs 394 million in bonds to fund the most ambitious expansion project in the history of the Texas Medical Center.

The bond issuance, the largest in the 45-year history of the pediatric specialty hospital, follows the assignment of the highest possible credit ratings by Standard & Poor's, Moody's Investors Services and Fitch IBCA, Inc.

' 'This capital improvement is the most significant undertaking in the history of the hospital,' ' said Mark A. Wallace, president and chief executive officer of Texas Children's Hospital. ' 'Texas Children's has long been at the forefront of children's health care, research and education. Our expansion project, funded through debt and an dlrs 80 million capital campaign, will allow us to further expand services to meet patient demand while at the same time solidifying our position in the marketplace.' '

Citing Texas Children's financial performance, in addition to a proven track record of leading-edge multidisciplinary pediatric specialty care and research, Standard & Poor's and Fitch assigned AA underlying ratings to the hospital's debt. Moody's assigned an Aa2 long-term underlying rating.

' 'Strong patient demand has led to a healthy financial position for the

hospital and enabled us to embark on this expansion of services," said Dr. Ralph D. Feigin, physician-in-chief at Texas Children's Hospital and president of the affiliated Baylor College of Medicine. "This \$345 million expansion and modernisation project will allow us to implement new customised services to continue to set the highest standards for pediatric medicine."

The expansion will include a new 15-story inpatient addition to the hospital's existing West Tower, construction of a new 15-floor outpatient center and the renovation of the existing Feigin Center into a dedicated research facility. The project, which will add more than 1.2 million square feet to the hospital's campus, is scheduled for completion in 2002.

The total debt offering by the hospital was issued in a 70-30 split between variable- and fixed-rate bonds. The issuer of the bonds was Harris County Health Facilities Development Corporation. The sale of \$118 million of fixed-rate Series 1999A bonds and \$276 million in variable-rate Series 1999B bonds was managed by Goldman Sachs & Co.

"We employed this strategy to take advantage of current low interest rates," said Sally Nelson, Texas Children's executive vice president and chief financial officer. "This provides us with the flexibility to refinance the variable-rate debt if interest rates undergo a sharp increase."

The \$345 million, four-year expansion of Texas Children's is one of the nation's largest building projects for a health-care facility. Additional

facilities and renovated space are needed to meet the growing demand from the marketplace. In 1998, inpatient admissions totaled 18,000, while outpatient visits reached 377,000 -- up from 255,000 in 1993.

Texas Children's Hospital, a 456-bed not-for-profit hospital and the largest children's hospital in the United States, received accreditation with commendation by the Joint Commission on Accreditation of Healthcare Organisations in 1998. This marked the third consecutive time the hospital has achieved this standard of excellence -- a first for a pediatric hospital.

For additional information about the Texas Children's expansion project, including a computer-generated rendering of the completed additions, visit the Texas Children's News Center on-line at [www.texaschildrenshospital.org](http://www.texaschildrenshospital.org)

## Fact Sheet

### Texas Children's Hospital Expansion Project

- \* The expansion and modernisation effort will add more than 1.2 million square feet to Texas Children's existing facilities, bringing the total campus to 2.4 million square feet. Expansion components include

- \* A new 15-story inpatient addition to Texas Children's existing West Tower

- \* The construction of a new 15-floor outpatient center (S-Lot Building)

- \* The renovation of the Feigin Center into a dedicated research facility

- \* Total cost of the project -- dlrs 345 million, funded through a combination of debt and an dlrs 80 million capital campaign.

\* Texas Children's bonds received the highest ratings possible from three of the country's leading rating agencies -- AA underlying rating from both Standard & Poor's and Fitch IBCA, Inc., and Aa2 underlying rating from Moody's Investors Services.

\* A total of dlrs 394 million in bonds have been offered

\* Series 1999A bonds -- dlrs 118 million of fixed-rate bonds offered May 19, 1999 (sale managed by Harris County Health Facilities Development Corporation)

\* Series 1999B bonds -- dlrs 276 million of variable-rate bonds offered

\* June 23, 1999 (sale managed by Goldman Sachs)

\* The variable-rate portion of the debt issuance was structured with dlrs 100 million of Goldman Sachs' auction-rate bonds (PARS program) and dlrs 176 million of variable-rate demand obligations from Morgan Guaranty.

\* FKP Architects, Inc. is the architectural firm hired by Texas Children's for the project. W.S. Bellows Construction Corp. is the general contractor.

\* Construction began in March 1999 and is scheduled for completion in 2002.

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