

Catholic Healthcare West, California

Revenue Bonds New Issue Report

Ratings

New Issues

\$349,890,000 California Healthcare Facilities Financing Authority Revenue Bonds, Series 2011A	A+
\$75,000,000 California Healthcare Facilities Financing Authority Variable-Rate Revenue Bonds, Series 2011B	A+
\$75,000,000 California Healthcare Facilities Financing Authority Variable Rate Revenue Bonds Series 2011C	A+
\$126,130,000 Arizona Health Finance Authority Fixed-Rate Revenue Bonds, Series 2011A	A+

See page 2 for a full listing of Outstanding Debt

Rating Outlook

Stable

Related Research

For information on Build America Bonds, visit www.fitchratings.com/BABs.

Fitch Rates Catholic Healthcare West (California) \$919 MM 2009 Revs 'A+'; Outlook Stable, Oct. 14, 2009

Fitch Rates Catholic Healthcare West (California) \$592MM 2009 Revs 'A+'; Outlook to Stable, April 16, 2009

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New Issue Details

Sale information: \$349,890,000 Revenue Bonds, Series 2011A, \$75,000,000 Variable-Rate Revenue Bonds, Series 2011B, and \$75,000,000 Variable-Rate Revenue Bonds, Series 2011C to be issued by the California Healthcare Facilities Financing Authority, and \$126,130,000 Fixed-Rate Revenue Bonds, Series 2011A to be issued by the Arizona Health Finance Authority. Bonds expected to be priced the week of Oct. 24 via negotiation.

Security: Joint and several obligation secured by a pledge of gross revenues of the Catholic Healthcare West (CHW) obligated group consisting of CHW, CHW Medical Foundation, Mercy Senior Housing, Inc., Saint Francis Memorial Hospital, Sierra Nevada Memorial-Miners Hospital, Bakersfield Memorial Hospital, and Community Hospital of San Bernardino.

Purpose: To finance and refinance certain capital expenditures at CHW's facilities in Arizona and California; to refund certain outstanding debt; and to refinance a bank line of credit.

Final Maturity: 2041 (variable-rate bonds); 2047 (fixed-rate bonds).

Key Rating Drivers

Regional/Business-Line Diversity: CHW's credit profile is enhanced by the diversity of its hospital facilities across California and in Arizona and Nevada. However, most of the system's revenues are generated in California, leaving the system vulnerable to the persistent economic challenges of the region.

Excellent Business Practices: CHW's use of best business practices to achieve increased efficiencies in operations, manage its cost reduction strategies, and enhance patient quality are strong positive rating factors.

Solid MADS Coverage: CHW's historical coverage of pro forma maximum annual debt service (MADS) by operating and net EBITDA in fiscal 2011 of 3.1x and 4.2x, respectively, is in line with the 'A' rating category medians of 3.3x and 3.7x.

Improved Balance Sheet Metrics: Reduced exposure to variable-rate demand debt and letter of credit renewal risk has lowered CHW's risk profile from that of prior years. Strong investment earnings and expense control have further strengthened CHW's balance sheet and reduced relatively high debt burden indicators.

Adequate Operating Profitability: Although operating EBITDA improved to \$797.6 million in fiscal 2011 from \$691.9 million in the prior year, the operating EBITDA margin of 7.5% is weak relative to the 'A' category median of 9.4%.

Recessionary Impacts: CHW derives more than 70% of revenues from its California hospitals, including supplemental reimbursement funds provided through various state programs. CHW's increasing dependence on these state-funded resources to support operations is a primary credit concern due to the budget and cash flow crisis in the California economy.

Outstanding Debt

\$34,000,000 Arizona Health Facilities Authority (AZ) (Catholic Healthcare West Loan Program) Hospital Auction-Rate Revenue Bonds, Series 2005 B	A+	\$37,800,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Variable-Rate Demand Revenue Bonds, Series 1988 C	A+
\$76,000,000 Arizona Health Facilities Authority (AZ) (Catholic Healthcare West Loan Program) Variable-Rate Bonds, Series 2009F	A+	\$90,000,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Variable-Rate Demand Revenue Bonds, Series 2004 J	A+
\$82,420,000 Arizona Health Facilities Authority (AZ) (Catholic Healthcare West) Revenue Bonds, Series 1999A	A+	\$60,000,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Variable-Rate Demand Revenue Bonds, Series 2004K	A+
\$183,990,000 Arizona Health Facilities Authority (AZ) (Catholic Healthcare West) Revenue Bonds, Series 2009D	A+	\$140,400,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Variable-Rate Demand Revenue Bonds, Series 2005 H	A+
\$36,315,000 Arizona Health Facilities Authority (AZ) (Catholic Healthcare West) Variable-Rate Bonds, Series 2009E	A+	\$59,600,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Variable-Rate Demand Revenue Bonds, Series 2005 I	A+
\$1,300,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Auction-Rate Hospital Revenue Bonds, Series 1996 C	A+	\$60,000,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Variable-Rate Demand Revenue Bonds, Series 2005 K	A+
\$24,900,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Auction-Rate Hospital Revenue Bonds, Series 1996 D	A+	\$46,960,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Variable-Rate Revenue Bonds, Series 2009F	A+
\$7,800,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Auction-Rate Hospital Revenue Bonds, Series 1996 F	A+	\$58,230,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Variable-Rate Revenue Bonds, Series 2009G	A+
\$30,500,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Auction-Rate Hospital Revenue Bonds, Series 1996 G	A+	\$90,000,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Variable-Rate Revenue Bonds, Series 2009H	A+
\$28,805,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Healthcare Facilities Revenue Refunding Bonds, Series 2004G	A+	\$6,125,000 California Health Facilities Financing Authority (CA) (Mercy Senior Housing) Health Facilities Revenue Bonds, Series 1993A	A+
\$45,900,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Healthcare Facilities Revenue Refunding Bonds, Series 2004H	A+	\$36,000,000 California Statewide Communities Development Authority (CA) (Catholic Healthcare West) Health Facilities Revenue Bonds (ARS), Series 2007L	A+
\$50,000,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Healthcare Facilities Revenue Refunding Bonds, Series 2004I	A+	\$80,000,000 California Statewide Communities Development Authority (CA) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 2007D	A+
\$13,320,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 1992A	A+	\$80,000,000 California Statewide Communities Development Authority (CA) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 2007E	A+
\$4,275,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 1993A	A+	\$80,000,000 California Statewide Communities Development Authority (CA) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 2007F	A+
\$4,630,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 1995 A	A+	\$54,000,000 California Statewide Communities Development Authority (CA) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 2007K	A+
\$13,545,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 1996 E	A+	\$48,025,000 California Statewide Communities Development Authority (CA) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 2008A	A+
\$30,170,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 1997A	A+	\$31,975,000 California Statewide Communities Development Authority (CA) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 2008B	A+
\$25,000,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 1997C	A+	\$40,000,000 California Statewide Communities Development Authority (CA) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 2008C	A+
\$221,895,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 1998A	A+	\$63,700,000 California Statewide Communities Development Authority (CA) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 2008D	A+
\$29,675,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 2008G	A+	\$42,550,000 California Statewide Communities Development Authority (CA) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 2008E	A+
\$54,650,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 2008H	A+	\$40,910,000 Henderson (NV) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 2004A	A+
\$53,725,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 2008I	A+	\$184,265,000 Henderson (NV) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 2007B	A+
\$67,700,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 2008J	A+	\$200,595,000 Maricopa County Industrial Development Authority (AZ) (Catholic Healthcare West Project) Health Facilities Revenue Bonds, Series 1998A	A+
\$54,100,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 2008K	A+	\$41,420,000 Maricopa County Industrial Development Authority (AZ) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 1992A	A+
\$38,850,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 2008L	A+	\$128,970,000 Maricopa County Industrial Development Authority (AZ) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 1998A	A+
\$57,790,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 2009	A+	\$85,335,000 Maricopa County Industrial Development Authority (AZ) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 2004A	A+
\$16,830,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Health Facilities Refunding Revenue Bonds, Series 1994 A	A+	\$175,000,000 Maricopa County Industrial Development Authority (AZ) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 2004B	A+
\$23,320,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Health Facilities Refunding Revenue Bonds, Series 1994B	A+	\$171,070,000 Maricopa County Industrial Development Authority (AZ) (Catholic Healthcare West) Health Facilities Revenue Bonds, Series 2007A	A+
\$34,000,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Health Facilities Refunding Revenue Bonds, Series 1996F and G	A+		
\$427,870,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Revenue Bonds, Series 2009E	A+		
\$33,400,000 California Health Facilities Financing Authority (CA) (Catholic Healthcare West) Variable-Rate Demand Revenue Bonds, Series 1988 B	A+		

Rating History

Rating	Action	Outlook/ Watch	Date
A+	Affirmed	Stable	10/14/09
A+	Affirmed	Stable	4/16/09
A+	Affirmed	Positive	5/6/08
A+	Affirmed	Positive	10/22/07
A+	Upgraded	Stable	12/5/06
A-	Affirmed	Stable	10/14/05
A-	Upgraded	Stable	10/28/04
BBB+	Affirmed	Stable	1/30/04
BBB+	Affirmed	Stable	9/30/02
BBB+	Affirmed	Negative ^a	12/20/01
BBB+	Downgraded	—	11/8/99
A	Affirmed	Negative ^a	9/3/99
A	Downgraded	—	10/28/98
A+	Affirmed	—	9/18/97
A+	Assigned	—	11/18/96

^aRating Watch.

Credit Profile

Regional and Business-Line Diversity

CHW's diversity is considered a strong positive rating factor. CHW is a large, integrated healthcare delivery system with facilities across the state of California and a significant market presence in all the major metropolitan centers in the state. At fiscal year-end June 30, 2011, CHW had 40 hospitals in its system, 33 of which are located in California, three in Arizona, and four in Nevada, with more than 8,000 licensed acute care beds in service and approximately 800 nursing home beds. CHW operates as one operating company with 10 markets. The California operations are divided into eight regional markets — North State, Greater Sacramento/San Joaquin, Central Valley, Ventura, Inland Empire, Los Angeles/Southern California, Central Coast, and Bay Area. Arizona and Nevada are CHW's two other markets.

While the vast majority of CHW's operating revenues come from hospital-based patient service revenue, CHW has broadened its revenue base to include non-acute care business lines, including insurance operations, ambulatory care centers, and imaging centers. CHW receives additional revenue in the form of equity interest income from several agreements with Scripps Health, Southwest Catholic Health Network, and Phoenix Children's Hospital. Total revenues at fiscal year-end 2011 were \$10.6 billion. CHW is one of the largest healthcare systems in the U.S. based on total revenues.

Excellent Business Practices

CHW's overall operating strategy, Horizon 2020, is the system's long-range plan for diversified growth and operational effectiveness. The system's long-tenured and experienced management team employs best management practices effectively to improve operating performance through solid cost reduction strategies and enhanced patient quality. A best practice initiative begun in fiscal 2009 resulted in \$15 million in annual cost savings for the entire system and a 31% reduction in the incidence of hospital-acquired ulcers. The system is implementing LEAN methodology to promote greater efficiency in clinical operations to achieve a projected savings of almost \$90 million by fiscal 2012.

CHW's disclosure practices are some of the best in Fitch Ratings' portfolio. CHW covenants to disclose audited annual financial statements and unaudited quarterly results to bondholders. Historically, quarterly financial statements had been reviewed by CHW's auditor and included a consolidated income statement, balance sheet, and cash flow statement. Additionally, management hosts quarterly investor calls and posts all financial information on its Web site at www.chwhealth.org.

Solid Debt Service Coverage

CHW's debt-related ratios are comparable to the medians for the rating category. Operating EBITDA MADS coverage was 3.1x on the system's bonded debt and EBITDA MADS coverage was 4.2x on an historical pro forma basis, compared with medians for the rating category of 3.3x and 3.7x, respectively. The debt burden is low, with MADS as a percentage of revenues of 2.4%, compared with the median for the category of 2.9%.

Adequate Financial Performance

CHW's operating ratios have been slim for the past two years due to adverse shifts in the payor mix and increasing bad debt expense reflecting the persistence of the economic downturn in

Related Criteria

Nonprofit Hospitals and Health Systems Rating Criteria, Aug. 12, 2011

Revenue-Supported Rating Criteria, June 20, 2011

the region. For the fiscal year ended June 30, 2011, CHW produced a 1.9% operating margin and a 7.5% operating EBITDA margin, compared with the prior year when the system generated a 0.9% operating margin and a 7.3% operating EBITDA margin, including disproportionate share payments of \$74.1 million and \$96.9 million in fiscal years 2011 and 2010, respectively.

At June 30, 2011, CHW had \$4.7 billion in unrestricted cash and investments, which calculates to 187.6 days, an 18.2x cushion ratio, and a 113% cash to debt ratio. CHW's liquidity indicators are comparable to the medians for the category of 194.1 days, 15.4x, and 113.8% and are a solid improvement from the prior year fueled by the system's solid operating cash flow, strong investment earnings, and discipline in capital spending. However, CHW's capital-related ratios, while improving, are weak relative to the category median. Debt to capitalization at June 30, 2011, on an historical pro forma basis, was 46.7%, which compares unfavorably to the median for the rating category of 41.9%.

Utilization Data

(\$000)

	2007	2008	2009	2010	2011
Licensed Beds	8,503	8,624	8,777	8,885	8,716
Operated Beds	7,379	7,249	7,486	7,658	7,630
Acute Adult Admissions	385,550	403,983	406,384	412,005	411,115
Acute Adult Patient Days	1,723,521	1,820,521	1,793,283	1,779,081	1,783,605
Average Length of Stay (Days)	4.5	4.5	4.4	4.3	4.3
Average Daily Census	4,722	4,988	4,913	4,874	4,887
Inpatient Surgeries	60,996	61,742	61,514	58,702	58,837
Outpatient Surgeries	143,050	146,366	152,292	154,508	135,902
Net Emergency Department Visits	1,273,228	1,339,196	1,409,077	1,488,451	1,511,798
Medicare Case Mix Index	1.58	1.61	1.69	1.70	1.69

Payor Mix

(As a % of Gross Revenue)

	2007	2008	2009	2010	2011
Medicare	39.0	39.0	39.0	41.0	41.0
Medicaid	20.0	20.0	20.0	20.0	21.0
Capitated Revenue	2.0	2.0	2.0	2.0	2.0
Commercial	31.0	32.0	31.0	29.0	29.0
Self-Pay and Other	8.0	7.0	8.0	8.0	8.0
Total	100.0	100.0	100.0	100.0	100.0

CHW had \$4.2 billion in total debt at fiscal year-end 2011, including \$2.2 billion of long-term fixed-rate debt, \$456 million in put bonds, \$374 million of senior secured notes, \$640 million in variable-rate demand bonds, \$324 million in auction-rate certificates, and \$134 million of bank-related debt under a \$480 million syndicated line of credit. Post financing, total long-term debt will increase to \$4.6 billion, of which approximately \$3.3 billion will be in fixed-rate mode and about \$1.3 billion in various variable-rate modes, producing a ratio of 72% fixed to 28% variable. Management is committed to limiting its capital spending to cash flow earnings over the near term.

At June 30, 2011, CHW had 16 floating- to fixed-rate swaps with a notional value of \$944.5 million. Counterparties of these swaps are JPMorgan and Citibank. Certain Citibank swaps were novated to Deutsche Bank in August 2011. CHW is prohibited from posting collateral on derivative instruments under its bond documents.

Recessionary impacts

Fitch's primary credit concern is the system's increasing reliance on supplemental reimbursement payments to support system operations and the weakness of the California economy supporting the supplemental payment program.

Historically, California's reimbursement rates for its Medicaid program (known as Medi-Cal) are among the lowest in the country. The state's ongoing budgetary issues continue to pressure financial performance for California hospitals. In January 2010, to alleviate some of the operating pressure on California hospitals, the state enacted legislation that provided for supplemental Medi-Cal payments funded by quality assurance fees paid by participating hospitals. As a result, CHW received a net payment of \$198.8 million in additional supplemental income covering the period of April 2009–Dec. 31, 2010, which was recorded in fiscal 2011.

In April 2011, the state elected to continue the provider fee program, and, as a result, CHW expects to receive approximately \$185.3 million in supplemental payments for the period covering January 2011–June 2011. In August 2011, the state enacted legislation that extended the program through December 2013. While these payments have helped to stabilize CHW's earnings, they also reflect an increasing dependence on supplemental reimbursement to achieve profitability.

CHW's operating environment may be increasingly challenged because of the lingering effects of the state's economic issues and the expected termination of supplemental reimbursement programs due to occur in 2014 with the full implementation of the healthcare reforms.

Financial Summary

(\$000, Audited Fiscal Years Ended June 30)

	2007	2008	2009	2010	2011
Balance Sheet Data					
Unrestricted Cash	3,241,323	3,407,790	3,407,299	4,068,878	4,668,994
Restricted Cash	932,237	920,604	850,060	895,729	969,577
Trustee-Held Cash	954,795	699,005	492,341	310,735	269,041
Net Patient Accounts Receivable	1,079,495	1,197,384	1,243,837	1,203,344	1,257,296
Gross Property, Plant, and Equipment (PP&E)	6,284,873	7,021,781	7,749,934	8,097,807	8,205,102
Accumulated Depreciation	3,339,699	3,617,430	3,967,485	4,203,696	4,491,291
Net PP&E	2,945,174	3,404,351	3,782,449	3,894,111	4,102,551
Total Assets	10,520,277	10,882,074	11,076,056	11,832,647	13,123,625
Current Liabilities	1,689,265	1,860,609	2,039,613	2,849,211	3,140,961
Due to Third-Party Payors	23,632	24,334	18,756	14,711	0
Long-Term Debt	4,049,644	4,002,865	4,239,526	3,691,469	4,130,817
Demand Debt	N.A.	1,301,600	991,000	645,200	640,700
Variable-Rate Debt	N.A.	1,438,900	1,363,560	1,106,702	965,100
Swapped Variable-Rate Debt	N.A.	N.A.	671,450	1,161,075	1,098,609
Unrestricted Net Assets	3,492,519	3,905,187	3,155,600	3,426,489	4,715,076
Income and Cash Flow Data					
Net Patient Revenue	7,141,502	7,596,186	8,234,194	8,599,950	9,600,663
Other Revenue	335,442	805,309	723,710	830,464	964,705
Total Revenue	7,476,944	8,401,495	8,957,904	9,430,414	10,565,368
Annualized Total Revenue	7,476,944	8,401,495	8,957,904	9,430,414	10,565,368
Salaries, Wages, Fees, and Benefits	3,739,427	4,175,946	4,511,516	4,809,065	5,127,564
Depreciation and Amortization	298,723	345,207	386,643	421,774	432,438
Interest Expense	149,677	163,603	162,937	244,006	167,571
Provision for Bad Debt	551,045	649,276	680,585	745,303	848,883
Operating Lease Expense	93,300	107,400	111,800	112,600	111,100
Total Expenses	7,156,575	8,241,459	8,696,778	9,347,186	10,367,804
Income from Operations	320,369	160,036	261,126	83,228	197,564
Operating EBITDA	768,769	668,846	810,706	691,873	797,573
Non-Operating Gains/(Losses)	229,535	117,984	(20,825)	183,982	277,257
Excess Income	549,904	278,020	240,301	274,210	474,821
Total Investment Income	250,239	204,126	(17,981)	186,716	277,257
Net Unrealized Gains/(Losses)	146,985	(194,204)	(369,490)	215,758	442,354
Net Change in Fair Market Value of Derivative Instruments	9,127	(60,587)	(57,419)	52,183	(50,038)
Cash Flow from Operations	474,399	617,262	813,891	759,571	560,348
Net PP&E Acquisitions	546,047	796,084	703,876	499,623	595,871
EBITDA	998,304	872,972	801,389	875,855	1,074,830
CFFOBI	624,076	780,865	976,828	1,003,577	727,919
Free Cash Flow	(71,648)	(178,822)	110,015	259,948	(35,523)
Maximum Annual Debt Service (MADS)	241,000	276,095	256,781	256,781	256,781
Liquidity Ratios					
Days Cash on Hand	187.6	171.6	163.0	181.6	187.6
Days in Accounts Receivable	55.2	57.5	55.1	51.1	47.8
Days in Current Liabilities	97.8	93.7	97.6	127.1	126.2
Cushion Ratio (x)	13.4	12.3	13.3	15.8	18.2
Cash to Debt (%)	80.0	85.1	80.4	110.2	113.0
Cash to Demand Debt (%)	0.0	261.8	343.8	630.6	425.0
Profitability and Operational Ratios					
Operating Margin (%)	4.3	1.9	2.9	0.9	1.9
Operating EBITDA Margin (%)	10.3	8.0	9.1	7.3	7.5
Excess Margin (%)	7.1	3.3	2.7	2.8	4.4

N.A. – Not available. EBITDA – Earnings before interest, taxes, depreciation, and amortization. CFFOBI – Cash flow from operations before interest. Note: Fitch Ratings may have reclassified certain financial statement items for analytical purposes.

Financial Summary (continued)

(\$000, Audited Fiscal Years Ended June 30)

	2007	2008	2009	2010	2011
Liquidity Ratios (continued)					
EBITDA Margin (%)	13.0	9.2	8.8	9.1	9.9
Cash Flow Margin (%)	6.2	7.2	9.1	7.9	5.2
Investment Income as % of Excess Income	45.5	73.4	(7.5)	69.9	58.4
Personnel Cost as % of Revenue	50.0	49.7	50.4	51.0	48.5
Bad Debt Expense as % of Revenue	7.4	7.7	7.6	7.9	8.0
Capital-Related Ratios					
MADS Coverage by EBITDA (x)	4.1	2.8	3.1	3.6	4.2
MADS Coverage by Operating EBITDA (x)	3.2	2.4	3.2	2.9	3.1
MADS Coverage by CFFOBI (x)	2.6	2.8	3.8	3.9	2.8
MADS Coverage by CFFOBI Less Capital Expenditures (x)	0.3	(0.1)	1.1	2.0	0.5
MADS as % of Revenue	3.2	3.3	2.9	2.7	2.4
Variable Rate Debt (%)	0.0	35.9	32.2	30.0	23.4
Debt to EBITDA (x)	4.1	5.1	5.4	4.0	3.8
Debt to Operating EBITDA (x)	5.3	6.0	5.2	4.9	5.2
Demand Debt to Operating EBITDA (x)	0.0	1.9	1.2	0.9	0.8
Debt to Free Cash Flow (x)	(56.5)	(22.4)	38.5	14.2	(116.3)
Debt to Capitalization (%)	53.7	50.6	57.3	51.9	46.7
Average Age of Plant (Years)	11.2	10.5	10.3	10.0	10.4
Capital Expenditures as % of Depreciation Expense	182.8	230.6	182.0	118.5	137.8
Capital Expenditures as % of EBITDA	54.7	101.2	89.1	53.6	55.4
Capital Expenditures as % of Total Revenue	7.3	9.5	7.9	5.3	5.6

EBITDA – Earnings before interest, taxes, depreciation, and amortization. CFFOBI – Cash flow from operations before interest. Note: Fitch Ratings may have reclassified certain financial statement items for analytical purposes.

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