

**Children's Health Care  
d/b/a Children's Hospitals and Clinics of Minnesota**



**May 31, 2010**  
Continuing Disclosure to the March 15, 2010 Offering Statement

**Table 1**

**CHILDREN'S HOSPITALS AND CLINICS OF MINNESOTA  
Discharges by Pediatric Service Line**

	<b>2009</b>	
	<b><u>Admits</u></b>	<b><u>% of Total</u></b>
Anesthesiology	57	0.4%
Cardiology	256	1.8
Critical Care	930	6.7
Emergency Medicine	8	0.1
Endocrinology	224	1.6
ENT/Otolaryngology	267	1.9
Gastroenterology	94	0.7
General Medicine	71	0.5
General Surgery	773	5.6
Hematology/Oncology	1,004	7.2
Infectious Disease	110	0.8
Neonatology	1,805	13.0
Neurology	478	3.5
Other Specialties	193	1.4
Pediatric	6,825	49.2
Subspecialty Surgery	435	3.1
Urology	347	2.5
Totals	13,877	100.0%

*Source: Children's internal records*

**Table 2**

**CHILDREN'S HOSPITALS AND CLINICS OF MINNESOTA  
Net Change in Admitting Physicians**

	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
Beginning of year	1,234	1,239	1,208
Net change	<u>5</u>	<u>(31)</u>	<u>13</u>
End of Year	1,239	1,208	1,221

*Source: Children's internal records*

**Table 3**

**CHILDREN'S HOSPITALS AND CLINICS OF MINNESOTA**  
Employee Collective Bargaining Agreements

<u>Occupation</u>	<u>Number of Employees at 12/31/09</u>	<u>Union or Association</u>	<u>Contracts Expiration Dates at 12/31/09</u>
Registered Nurses	1,598	Minnesota Nurses Assoc.	6/1/2010
Service Workers	274	Service Employees International Union (SEIU)	2/28/2009
Other	<u>10</u>	Local No. 113, Local No. 653, and Local No. 70	Various
Total Contract Employees	1,882		

*Source: Children's internal records.*

**Table 4**

**CHILDREN'S HOSPITALS AND CLINICS OF MINNESOTA**  
**Acute Pediatric Service Line: Inpatient Discharges Volume and Market Share**  
*(excludes chemical dependency, psychiatry, neonates, and newborns)*  
**By Metropolitan\* Hospital System - All Patient Origins (Ages 0-14)**

<b>Hospital</b>	<b><u>2006</u></b>		<b><u>2007</u></b>		<b><u>2008</u></b>		<b><u>2009</u></b>	
Children's System	9,942	52.2%	10,713	53.8%	10,641	56.2%	10,495	57.3%
Fairview System	3,277	17.2%	3,527	17.7%	3,087	16.3%	2,892	15.7%
Gillette	1,299	6.8%	1,322	6.6%	1,433	7.6%	1,606	8.8%
Hennepin County	1,144	6.1%	1,128	5.7%	1,194	6.3%	1,087	5.9%
Allina System	1,331	7.0%	1,205	6.0%	1,001	5.4%	994	5.4%
North Memorial	617	3.2%	625	3.1%	488	2.6%	347	1.9%
Ridgeview	498	2.6%	486	2.4%	382	2.0%	250	1.4%
Methodist	423	2.2%	421	3.1%	308	1.6%	332	1.8%
Regions	178	0.9%	198	1.0%	172	0.9%	173	0.9%
HealthEast System	232	1.2%	204	1.0%	150	0.7%	130	0.7%
Lakeview	85	0.5%	78	0.4%	50	0.3%	42	0.2%
Regina	<u>20</u>	<u>0.1%</u>	<u>14</u>	<u>0.1%</u>	<u>10</u>	<u>0.1%</u>	<u>6</u>	<u>0.0%</u>
Metropolitan Hospital Total	19,046	100.0%	19,921	100.0%	18,916	100.0%	18,354	100%

*\*Metropolitan Hospital Systems are defined by the Minnesota Hospital Association (MHA) as Region 4 (7-County Metro) Reporting Hospitals, Region 4 Counties include: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties*

*Source: MHA Region 4 Hospitals (7-County Metro Hospitals) Standard Market Share Report, Ages 0-14*

**Table 5**

**CHILDREN'S HOSPITALS AND CLINICS OF MINNESOTA**  
**Neonatology Service Line: Number of Patient Days and Market Share**  
**By Metropolitan \* Hospital System – All Patient Origins (Ages 0-14)**

<b>Hospital</b>	<b>2006</b>		<b>2007</b>		<b>2008</b>		<b>2009</b>	
Children's System	32,276	32.0%	31,437	31.5%	31,414	32.1%	31,697	33.8%
Allina System	20,229	20.0%	21,821	21.9%	21,817	22.3%	21,243	22.6%
Fairview System	19,950	19.8%	18,865	18.9%	20,463	20.9%	17,316	18.6%
Hennepin County	8,891	8.8%	7,779	7.8%	7,314	7.5%	7,389	7.9%
North Memorial	7,250	7.2%	7,644	7.7%	5,097	5.2%	4,529	4.8%
Methodist	4,083	4.0%	4,623	4.6%	3,977	4.1%	3,934	4.2%
HealthEast System	4,230	4.2%	3,881	3.9%	3,737	3.8%	3,648	3.9%
Regions	2,714	2.7%	2,354	2.4%	2,642	2.7%	2,205	2.4%
Ridgeview	772	0.8%	728	0.7%	727	0.7%	989	1.1%
Lakeview	384	0.4%	408	0.4%	475	0.5%	435	0.5%
Regina	204	0.2%	254	0.3%	217	0.2%	142	0.2%
Gillette	<u>5</u>	<u>0.0%</u>	<u>1</u>	<u>0.0%</u>	<u>7</u>	<u>0.0%</u>	<u>0</u>	<u>0.0%</u>
Metropolitan Hospital Total	100,988	100.0%	99,815	100.0%	97,887	100.0%	93,527	100.0%

*\*Metropolitan Hospital Systems are defined by the Minnesota Hospital Association (MHA) as Region 4 (7-County Metro) Reporting Hospitals, Region 4 Counties include: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties*

*Note: The neonatology service line is defined by MHA as DRG's: 385-390, which includes neonates hospitalized in all levels of NICU's (excludes normal newborns). Allina System and other hospitals implemented a coding change in 2006, which transitioned Normal Newborn patients into the Neonatal service line.*

*Source: MHA Region 4 Hospitals (7-County Metro Hospitals) Standard Market Share Report, Ages 0-14*

**Table 6**

**CHILDREN'S HOSPITALS AND CLINICS OF MINNESOTA**  
**Number of Staffed and Licensed Beds**

<u>Licensed</u>	<u>Minneapolis</u>	<u>St. Paul</u>	<u>Total</u>
Regular Beds	153	116	269
Leased Beds	0	10	10
Bassinets	<u>74</u>	<u>57</u>	<u>131</u>
<b>Total</b>	<b>227</b>	<b>183</b>	<b>410</b>
<b>Staffed Beds</b>	<b>199</b>	<b>133</b>	<b>332</b>

Source: Children's internal records.

**Table 7**

**CHILDREN'S HOSPITALS AND CLINICS OF MINNESOTA**  
**Discharges and Patient Days**

*(All discharges including acute pediatrics, chemical dependency, psychiatry, newborns and neonates)*

<u>Admissions</u>	<b>For Year Ending December 31,</b>				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Perinatal Services	1,581	1,707	1,864	2,064	1,859
Intensive Care Services	1,942	1,734	1,738	1,879	1,857
Medical and Surgical Services	9,891	9,665	10,431	10,228	10,161
<b>Total</b>	<b>13,414</b>	<b>13,106</b>	<b>14,033</b>	<b>14,171</b>	<b>13,877</b>
<u>Patient Days</u>					
Perinatal Services	37,890	37,292	38,454	37,810	38,429
Intensive Care Services	10,011	9,478	9,970	9,518	9,838
Medical and Surgical Services	37,904	39,039	41,028	39,596	39,275
<b>Total</b>	<b>85,805</b>	<b>85,809</b>	<b>89,452</b>	<b>86,924</b>	<b>87,542</b>
<u>Average Daily Census</u>	<u>235.1</u>	<u>235.1</u>	<u>245.1</u>	<u>237.5</u>	<u>239.8</u>

Source: Children's internal records.

**Table 8**

**CHILDREN'S HOSPITALS AND CLINICS OF MINNESOTA  
Volume of Certain Outpatient Services**

**For the Year Ended December 31,**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Outpatient Surgical Cases	14,953	15,607	15,488	15,477	15,708
Emergency Department Visits	73,360	76,737	83,256	82,433	90,963
Clinic Visits	<u>117,303</u>	<u>119,111</u>	<u>121,124</u>	<u>116,834</u>	<u>137,853</u>
Total	205,616	211,455	219,868	214,744	244,524

Source: Children's internal records.

**Table 9**

**CHILDREN'S HOSPITALS AND CLINICS OF MINNESOTA  
Percent of Revenue by Payer**

**Year Ended December 31,**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Medicaid	16.8%	17.9%	18.3%	18.5%
Medicaid Managed Care	19.9%	20.7%	20.9%	21.3%
HMO/PPO	59.3%	58.4%	56.8%	57.3%
Commercial Insurance and Other Payers	2.6%	1.7%	1.5%	1.7%
Self-Pay	<u>1.4%</u>	<u>1.3%</u>	<u>2.5%</u>	<u>1.2%</u>
<b>TOTAL</b>	100.0%	100.0%	100%	100%

Source: Children's internal records.

**CHILDREN'S HOSPITALS AND CLINICS OF MINNESOTA**  
**Capitalization Table**  
*(Dollars in thousands)*

	<b>December 31, 2009</b>	<b>December 31, 2009</b>
	<b><u>December 31, 2009</u></b>	<b><u>As Adjusted</u></b>
Series 1995B Bonds	\$21,500	\$21,500
Series 1998A Bonds	3,905	3,905
Series 2004A Bonds	46,725	23,600
Series 2004A-1 Bonds	0	23,125
Series 2004B Bonds	42,575	42,575
Series 2007A Bonds	103,000	103,000
Series 2010A Bonds	0	50000
Total Long Term Debt	\$217,705	267,705
Unrestricted net assets	401,392	401,392
Total long-term debt and unrestricted net assets	\$619,097	669,097
Ratio of long-term debt to total capitalization	35.2%	40.0%

**CHILDREN'S HOSPITALS AND CLINICS OF MINNESOTA**  
**Fixed Payor Interest Rate Swaps**  
**December 31, 2009**  
*(Dollars in thousands)*

<b><u>Swap</u></b>	<b><u>Fair Value</u></b>	<b><u>Notional Amount Outstanding</u></b>	<b><u>Rate Paid</u></b>	<b><u>Rate Received</u></b>	<b><u>Counter Party</u></b>
2004A	\$(3,005)	\$23,600	4.127%	70% LIBOR	Piper Jaffray Financial Products, Inc.
2004B	(5,058)	42,575	4.266	70% LIBOR	Piper Jaffray Financial Products, Inc.
2007A1	(4,164)	51,500	3.518	67% LIBOR	Piper Jaffray Financial Products, Inc.
2007A2	(4,164)	51,500	3.518	67% LIBOR	Piper Jaffray Financial Products, Inc.
Totals	\$(16,391)	\$169,175			

**CHILDRENS HOSPITALS AND CLINICS OF MINNESOTA**  
**Debt Service Coverage Table**

	<b><u>Fiscal Year Ended December 31,</u></b>	
	<b><u>2008</u></b>	<b><u>2009</u></b>
	<i>(Dollars in thousands)</i>	
(Deficit) Excess of revenue over expenses	\$(60,910)	\$81,549
Net change in unrealized losses (gains) on investments	43,813	(40,691)
Change in unrealized interest rate swap valuation	33,897	(26,248)
Financing costs	10,093	6,411
Depreciation and amortization	<u>28,816</u>	<u>33,273</u>
Revenue available to pay debt service	\$55,709	\$54,294
Actual long-term debt service	\$11,899	\$6,748
Historical long-term debt service coverage ratio	4.68x	8.05x
Pro forma maximum annual debt service <sup>(1)</sup>	\$18,009	\$18,009
Historical coverage of pro forma maximum annual debt service <sup>(1)</sup>	3.09x	3.01x

<sup>(1)</sup> Derived from the Official Statement dated March 15, 2010.

**CHILDREN'S HOSPITALS AND CLINICS OF MINNESOTA**  
**Investment Portfolios**  
(Obligated Group only)

<b>Investment Category</b>	<b><u>Allocation</u></b>	<b><i>(\$ millions)</i></b>	<b><u>Overall</u></b>
	<b><u>Target %</u></b>	<b>December 31,</b>	<b><u>Allocation</u></b>
		<b><u>2009</u></b>	
Children's working capital pool			
Short-term fixed income	100%	<u>\$109.2</u>	<u>33%</u>
Children's investment pool			
Fixed income	85%	181.7	55%
Equity	15%	<u>39.9</u>	<u>12%</u>
Subtotal		<u>221.6</u>	<u>67%</u>
Total Obligated Group		<b>\$330.8</b>	<b>100%</b>

**CHILDREN'S HOSPITAL AND CLINICS OF MINNESOTA**

Consolidated\*

**Summary of Revenues and Expenses and  
Other Changes in Unrestricted Net Assets (\$000)**

	<u>December</u> <u>2008</u>	<u>December</u> <u>2009</u>
<b>Revenue</b>		
Net Patient Service Revenue	\$540,781	\$546,146
Other	9,036	6,347
Foundation Transfers	<u>22,639</u>	<u>25,777</u>
<b>Total Revenue</b>	<b><u>572,456</u></b>	<b><u>578,270</u></b>
<b>Expenses</b>		
Salaries, Benefits and Other	498,808	511,006
Depreciation and Amortization	28,816	33,273
Interest Expense	<u>10,093</u>	<u>6,411</u>
<b>Total Expenses</b>	<b><u>537,717</u></b>	<b><u>550,690</u></b>
<b>Operating Income</b>	34,739	27,580
<b>Nonoperating Gains</b>		
Investment Income, Net	(21,803)	(15,477)
Income on Investments Accounted for Under Equity Method	3,864	3,382
Net Change in Unrealized Losses on Investments	<u>(43,813)</u>	40,691
Change in Interest Rate Swap Valuation	<u>(33,897)</u>	<u>26,248</u>
<b>Total Nonoperating Gains, Net</b>	<b><u>(95,649)</u></b>	<b><u>53,969</u></b>
<b>Excess of Revenue Over Expenses</b>	<b><u>(60,910)</u></b>	<b><u>81,549</u></b>
<b>Other Changes</b>		
Net Assets Released from Restrictions – Capital Acquisitions	5,527	10,615
Application of FAS 158 on the RSVP Plan	(13,661)	4,145
Other	<u>(200)</u>	-
<b>Increase in Unrestricted Net Assets</b>	<b><u>\$(69,244)</u></b>	<b><u>96,309</u></b>

\* Includes Children's Foundation and CHIN, which are not members of the Obligated Group. Children's Foundation and CHIN combined accounted for \$ 1,290 and \$3,202 in the change in unrestricted net assets for the fiscal years ended December 31, 2008 and 2009, respectively.

**CHILDREN'S HOSPITAL AND CLINICS OF MINNESOTA**  
**Consolidated\***  
**Summary Statements of Financial Position**  
**(\$000)**

	December 31, 2008	December 31, 2009
<b>Assets</b>		
Cash, Cash Equivalents and Short Term Investments	\$ 107,843	\$ 30,237
Other Current Assets	165,528	89,880
Donor Restricted Cash and Investments	40,551	41,781
Investments – Securities Lending Agreements	44,243	-
Unrestricted Investments	164,246	307,235
Other Assets	50,807	64,305
Collateral Held for Securities Lending Agreements	41,362	-
Land, Building & Equipment – Net	204,783	310,397
<b>Total Assets</b>	<b><u>\$819,363</u></b>	<b><u>\$843,835</u></b>
<b>Liabilities</b>		
Current Liabilities	\$98,813	\$95,503
Fair Value of Interest Rate Swaps	42,639	16,391
Long Term Debt – Less Current Portion	43,865	47,770
Other Long Term Liabilities	217,154	211,269
Payable under Securities Lending Agreements	46,501	-
<b>Total Liabilities</b>	<b><u>448,972</u></b>	<b><u>370,933</u></b>
<b>Net Assets</b>		
Unrestricted	305,083	401,392
Temporarily Restricted	40,643	45,046
Permanently Restricted	24,665	26,464
<b>Total Net Assets</b>	<b><u>370,3391</u></b>	<b><u>472,902</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$819,363</u></b>	<b><u>\$843,835</u></b>

\* Includes Children's Foundation and CHIN, which are not members of the Obligated Group. Children's Foundation and CHIN combined had total net assets, which include both restricted and unrestricted net assets, of \$ 67,160, and \$ 76,564 as of December 31, 2008 and 2009, respectively. The combined unrestricted net assets of Children's Foundation and CHIN were \$1,852 and \$ 5,054 as of December 31, 2008 and 2009, respectively.