CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Memorial Health Services (“MHS”) 17360 Brookhurst Street Fountain Valley, CA 92708 Orange County	**Amount Requested:** **Date Requested:** **Requested Loan Term:** **Resolution Number:**	$115,000,000 September 22, 2016 Up to 40 years 418
Project Sites:	*See Exhibit 1*		
Facility Types:	General Acute Care Hospital		
Eligibility:	Government Code 15432(d) (1)		
Prior Borrower:	Yes (date of last CHFFA issue, October 2013)		
Obligated Group:	Memorial Health Services Obligated Group (the “Obligated Group”) is identified in *Exhibit 5*.		

Background: Memorial Health Services, a California nonprofit public benefit corporation, was organized in 1937 to provide community healthcare services. MHS is comprised of a multi-hospital, multi-discipline healthcare system, headquartered in Fountain Valley, California. MHS’ affiliates and subsidiary organizations include five acute care hospitals, two medical groups, a licensed health plan, and numerous outpatient health centers, imaging centers and surgery centers throughout Orange County and Los Angeles County. In FY 2015, MHS had over 68,000 patient admissions and over 179,000 emergency room visits. (*See Exhibit 3 for more details)*

Use of Proceeds: Bond proceeds will be used to refund the outstanding City of Long Beach, Variable Rate Health Facilities Revenue Bonds Series 1991 and CHFFA Variable Rate Revenue Bonds Series 2013B. Since the Series 1991 Bonds mature on October 1, 2016 and the Series 2013B Bonds are currently held by a single investor, MHS plans to refund and restructure these bonds to extend the maturity date, decrease risk exposure, and maintain financial liquidity.

Type of Issue:	Private placement (Qualified Institutional Buyer (“QIB”))
Purchaser:	U.S. Bank National Association ($65 million) TD Bank N.A. ($50 million)
Expected Credit Rating:	Unrated – *Please see Guideline discussion on page 3*
Financing Team:	*Please see Exhibit 2 to identify possible conflicts of interest*

Financial Overview: The Obligated Group’s income statement appears to exhibit growth with consistent income from operations each year from FY 2013 through FY 2015. The Obligated Group’s balance sheet appears solid with an operating pro-forma debt service coverage ratio of 6.08x.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
Bond proceeds	$ 115,000,000	Refunding	$ 115,000,000
Borrower funds	627,500	Financing costs	627,500
Total Estimated Sources	$ 115,627,500	**Total Estimated Uses**	$ 115,627,500

Due Diligence: Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, Savings Pass Through, Seismic, CEQA documentation, Community Service Obligation, and the Iran Contracting Act Certificate documentation (not applicable). All documentation satisfies the Authority’s requirements.

Staff Recommendation: Staff recommends the Authority approve Resolution Number 418 for Memorial Health Services in an amount not to exceed $115,000,000 subject to the conditions in the resolution for unrated debt. Macias Gini & O’Connell, LLP, the Authority’s financial analyst, and KNN Public Finance, the Authority’s financial advisor, concur with the Authority’s staff recommendation.

(AV)

I. PURPOSE OF FINANCING:

Memorial Health Service ("MHS") seeks to refund the City of Long Beach Variable Rate Revenue Series 1991 bonds and CHFFA's Variable Rate Revenue Series 2013B bonds. Since, the Series 1991 Bonds are due to mature on October 1, 2016, MHS plans to refund this bond to extend the terms of maturity and maintain financial liquidity. MHS plans to refund the Series 2013B Bonds to decrease risk exposure because the bonds are currently held by a single investor. The new 2016 Bonds will be purchased by two subseries, one by U.S. Bank National Association in the amount of $65,000,000 and the other by TD Bank, N.A. in the amount of $50,000,000. MHS has decided to secure private placement of the new 2016 Bonds through U.S. Bank and TD Bank, given the uncertainty of an open market.

Refunding **...** ***$115,000,000***

City of Long Beach, Revenue Bond Series 1991
Bond proceeds were used to finance the cost of acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of Long Beach Memorial Medical Center. The bonds outstanding amount is approximately $65 million.

CHFFA Variable Rate Revenue Bonds Series 2013 B
Bond proceeds were used to finance the construction, expansion, remodeling, renovation, furnishings, equipping and acquisition of health facilities of MHS corporate headquarters, Long Beach Memorial Medical Center, Miller Children's and Women's Hospital Long Beach, Orange Coast Memorial Medical Center, and Saddleback Memorial Medical Center. The bonds outstanding amount is approximately $50 million.

Financing Costs **..** ***627,500***

Estimated costs of issuance 627,500

Total Estimated Uses of Funds **..** ***$115,627,500***

II. GUIDELINES DISCUSSION:

The 2016 Bonds will be unrated, and will be purchased by TD Bank, N.A. and U.S. Bank, N.A., (the "Purchasers") in a private placement. The following requirements apply to the issuance of the Bonds:

- Must be privately placed with and transferred only to a "Qualified Institutional Buyer" ("QIB") as defined by SEC Rule 144A, promulgated under the Securities Act of 1933;
- Minimum denomination of $250,000;
- Unconditional Promise to Pay from MHS, as borrower;
- Investor Letter required at issuance;
- Bonds transfer restrictions must be noted conspicuously on the Bonds themselves; and
- Bonds must be physically delivered.

All of the foregoing requirements are designed to maximize the likelihood that the unrated 2016 Bonds will be placed with more sophisticated investors given the higher risk typically perceived to be associated with unrated debt. The 2016 Bonds are not rated at this time because the Purchasers do not require the 2016 Bonds to be rated. The Purchasers are required to be a QIB, as defined under SEC Rule 144A, and will make an independent credit determination with respect to its purchase of the 2016 Bonds. The foregoing will be reflected in the Investor Letter to be delivered by each Purchasers.

In addition, the Series 2013 Bonds issued by the Authority for the benefit of MHS and the other members of the Obligated Group are currently rated "AA-" by Fitch Ratings. The Series 2013 Bonds are secured by Obligations issued under the Master Indenture ("Obligation No. 16" and "Obligation No. 17"). The 2016 Bonds will be secured on parity with the Series 2013 Bonds by an Obligation issued under the Master Indenture securing each subseries of 2016 Bonds. The 2016 Bonds will not be secured by a debt service reserve account, because the Purchasers does not require a debt service reserve account.

This transaction complies with the Authority's existing unrated debt guidelines. In addition, MHS will be required at all times to maintain a rating on its long term unenhanced Parity Debt of the Obligated Group from at least two nationally-recognized rating agencies. MHS will also be required to provide periodically updated financial and operating information to the Purchasers, which information will be substantially consistent as to content and frequency with (if not in excess of) MHS' continuing disclosure obligations with respect to its other outstanding bonds, and the bond documents will include a "springing rating requirement" which requires MHS to use its best efforts to obtain a credit rating on the Bonds in the event that (i) the Bonds are publicly offered in connection with a conversion from one interest rate period to another interest rate period and (ii) there are no other outstanding Bonds or other obligations secured by the Master Indenture rated by a nationally recognized rating agency. If MHS will covenant, for so long as the Bonds remain outstanding, that if it is unable to obtain a rating, it will: (a) continue to prepare continuing disclosure reports with substantially the same content and at the same frequency as required by the continuing disclosure undertaking pursuant to SEC rule 15c2-12(a)(5) (or successor) (the "Rule") in connection with the Series 2013 Bonds or any subsequent continuing disclosure undertaking entered into pursuant to the Rule, and (b) publicly disseminate such continuing disclosure reports in such a manner as would be otherwise required under the Rule for publicly sold Bonds.

III. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

MHS and its affiliates – Long Beach Memorial Medical Center ("LBMMC"), Saddleback Memorial Medical Center ("SMMC"), and Orange Coast Memorial Medical Center ("OCMMC") (collectively, with MHS, the "Obligated Group"), are each California nonprofit public benefit corporations, each of which is jointly and severally obligated under a Master Trust Indenture with respect to payments on CHFFA bonds and other parity debt. MHS will be the borrower under the loan agreement with CHFFA and will act on behalf of the other Obligated Group Members. All covenants below are applicable to each Member of the Obligated Group. There are also protective tests limiting Members from being added to the Obligated Group if after the change, the Obligated Group would not meet conditions of the Master Trust Indenture, including those relating to creation of liens and incurrence of debt.

In connection with the issuance of the 2016 Bonds, there will be a Bond Indenture for each series of 2016 Bonds, executed by the Authority and the bond trustee, and a Loan Agreement for each series of 2016 Bonds, executed by the Authority and MHS. MHS will also deliver an Obligation (promissory note) for each series of 2016 Bonds, pursuant to the Master Indenture, to the bond trustee to secure under the Master Indenture the repayment of the 2016 Bonds required by each loan agreement.

This executive summary and recommendations include minimum requirements. Additional or more stringent covenants or disclosures may be added following consultation with Authority staff but without further notification to the Authority's Board. These covenants and disclosures cannot be diluted or removed without subsequent review. If there have been modifications to the proposed covenants and disclosures following the preparation of this executive summary, staff will report it at the meeting.

After reviewing MHS' current finances, MHS' prior bond transactions, and considering what the market will support, MHS, and KNN Public Finance (the Authority's financial advisor), have all concluded the below listed covenants should be applicable to this transaction, are consistent with covenants that have applied to MHS' prior bond transactions, and that MHS' current financial situation does not suggest additional covenants should be required.

<u>The following covenants are applicable to this transaction:</u>

Unconditional Promise to Pay. *MHS agrees to pay the Bond Trustee all amounts required for principal, interest and redemption premium, if applicable, and other payments and expenses designated in the Loan Agreement. The Obligated Group guarantees all such payments under a master indenture Obligation. All Revenues (which will include payments by MHS under the Loan Agreement and payments by the Obligated Group) and any other amounts held in a designated fund or account under the Bond Indenture are pledged to secure the full payment of the Bonds.*

Pledge of Gross Revenues. *Each Member of the Obligated Group pledges to deposit all revenues, income, receipts and money received into a Gross Revenue Fund over which the Master Trustee has a blocked account agreement for the benefit of each bond trustee and parity lender.*

Negative Pledge Against Prior Liens. *Each Obligated Group Member agrees not to create, assume or permit any Lien upon the Gross Revenues or its Property other than Permitted Encumbrances.*

Limited Permitted Encumbrances. *Each Obligated Group Member is subject to a restrictive set of allowable encumbrances it may incur pursuant to the Master Indenture.*

Rates, Fees and Charges. *The Loan Agreement will require rates, fees and charges to be fixed such that, in each fiscal year, Income Available for Debt Service is at least 120% of maximum annual debt service. This requirement measures MHS' ability to make interest and principal payments as they become due by assessing the amount of revenue available to meet debt service payments.*

Additional Debt Limitation. *Each Obligated Group Member is prohibited from incurring additional Indebtedness unless authorized by the financial performance or projection measures set out in the Loan Agreement and the related Master Indenture requirements for additional indebtedness.*

Disposition of Cash and Property Limitations. *Each Obligated Group Member agrees not to sell, lease or dispose of any property, plant or equipment or liquid assets unless authorized by various limiting measures set out in the Master Indenture.*

[Covenant to Comply with SEC Rule 15c2-12 if Applicable.] *MHS, on behalf of the Obligated Group, will take such action as is necessary in connection with any remarketing associated with a conversion that requires the bonds to comply with the Rule. MHS will contractually agree to disclose designated financial and operating information to the SEC web site (EMMA) any time the 2016 Bonds are subject to the Rule and to report designated "material events" such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc.*

There will not be a debt service reserve account pledged to these the 2016 Bonds.

Staff and KNN Public Finance have reviewed the entirety of this financing package and find it to be acceptable.

IV. FINANCIAL STATEMENTS AND ANALYSIS:

MEMORIAL HEALTH SERVICES
Statement of Income
Obligated Group
(in thousands)

	For the Year Ended June 30,		
	2015	**2014**	**2013**
Unrestricted operating revenues and other support			
Patient service revenues (net of contractual allowances and discounts)	$ 1,670,282	$ 1,467,137	$ 1,596,700
Less: provisions for doubtful accounts	(15,490)	(89,891)	(107,137)
Net patient service revenues	1,654,792	1,377,246	1,489,563
Capitation premium revenues	84,966	115,009	122,496
Other operating revenues	92,146	104,332	104,126
Net assets released from restrictions	376	236	345
Total unrestricted operating revenues and other support	1,832,280	1,596,823	1,716,530
Operating expenses			
Salaries, wages and benefits	855,435	821,066	802,161
Medical and other supplies	263,163	245,759	239,480
Purchased services and other	497,426	361,834	389,172
Capitation claims expense	34,760	54,375	60,933
Depreciation and amortization	78,305	75,349	67,790
Total operating expenses	1,729,089	1,558,383	1,559,536
Excess of operating revenues over operating expenses	103,191	38,440	156,994
Nonoperating revenues and expenses			
Investment income	72,905	50,466	49,155
Interest expense	(10,186)	(10,511)	(12,256)
Change in fair value of derivatives	51	(607)	2,708
Gain on sale of assets	413	5,433	16
Excess of revenues over expenses	166,374	83,221	196,617
Noncontrolling interests in joint ventures	(3,220)	671	1,593
Unrealized gains (losses) on investments	(89,014)	91,627	32,080
Net assets transfers	1,390	12,842	13,014
Change in postretirement benefit liability	(319)	20	1,629
Net assets released from restrictions for the acquisition of property and equipment	103	190	2,963
Sale of interest in joint venture	5,992	-	-
Other changes in unrestricted net assets	2,156	1,939	4,883
Increase in unrestricted net assets	**83,462**	**190,510**	**252,779**
Unrestricted net assets at beginning of year	1,730,690	1,540,180	1,287,401
Unrestricted net assets at end of year	$ 1,814,152	$ 1,730,690	$ 1,540,180

Obligated Group Payer Source for FY 2015

* Net patient revenue	Percent
Medi-Cal	18
Medicare	17
Managed care companies	60
Other payers	5
Total	**100.0**

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MEMORIAL HEALTH SERVICES
Consolidating Balance Sheet
Obligated Group
(in thousands)

	As of June 30, 2015	As of June 30, 2014	As of June 30, 2013
Assets			
Current assets			
Cash and cash equivalents	$ 102,937	$ 107,805	$ 97,081
Patient accounts receivable, net	293,263	238,986	315,810
Other receivables	13,316	25,398	11,274
Due from affiliates	-	(34,951)	(12,926)
Current assets limited as to use	-	35,489	399
Assets available for sale	-	-	34,358
Other current assets	38,691	375	33,128
Total current assets	448,207	373,102	479,124
Long-term investments	1,396,209	1,321,687	1,086,363
Assets limited as to use	-	27,978	-
Property and equipment, net	678,720	678,711	606,156
Split-interest agreement investments	-	-	113
Intangible assets, net	4,773	4,866	4,977
Goodwill	2,480	2,480	2,480
Other assets	253,531	271,357	244,120
Total assets	$ 2,783,920	$ 2,680,181	$ 2,423,333
Liabilities and net assets			
Current liabilities			
Accounts payable	$ 108,479	$ 72,579	$ 106,188
Accrued payroll and employee benefits	124,465	109,565	109,002
Due to affiliates	7,418	-	-
Estimated third-party payor settlements, net	-	-	5,920
Current maturities of long-term debt	224,349	228,560	135,716
Current portion of split-interest agreement liabilities	9	9	9
Other accrued liabilities	59,874	75,731	71,013
Total current liabilities	524,594	486,444	427,848
Long-term debt, less current maturities	346,674	360,295	370,401
Long-term portion of split-interest agreement liabilities	77	76	79
Other long-term liabilities	94,657	99,187	81,615
Total liabilities	966,002	946,002	879,943
Net Assets			
Unrestricted	1,814,199	1,727,711	1,537,873
Unrestricted noncontrolling interest	(49)	2,979	2,307
Temporarily restricted	3,768	3,489	3,210
Total net assets	1,817,918	1,734,179	1,543,390
Total liabilities and net assets	$ 2,783,920	$ 2,680,181	$ 2,423,333

	Proforma (a) FYE June 30, 2015	2015	2014	2013
Debt Service Coverage, Operating (x)	6.08	5.70	3.68	7.21
Debt Service Coverage, Net (x)	5.45	5.12	8.17	10.12
Debt to Unrestricted Net Assets (x)	0.32	0.21	0.23	0.26
Margin (%)		4.60	10.89	13.95
Current Ratio (x)		0.85	0.77	1.12

(a) Recalculates FY 2015 audited results to include the impact of this proposed financing

Financial Discussion – Statement of Activities (Income Statement)

The Obligated Group's income statement appears to exhibit growth with consistent income from operations each year from FY 2013 through FY 2015, the review period.

The Obligated Group appeared to experience solid growth in operation revenues of 6.7% from FY 2013 to FY 2015, from approximately $1.7 million to approximately $1.8 million, respectively. Over the same period, expenses have kept in line with revenues and increased approximately 11%, which resulted in positive operating net income of approximately $157 million, $38 million, and $103 million, respectively. According to MHS management, MHS is a participant in the California Hospital Quality Assurance Fee ("HQAF") program which provides supplemental Medi-Cal payments through a combination of federal matching funds and the hospital provider fee. The federal matching funds, which are calculated as revenues, are not always received consistently on time. For example, reimbursement funds for FY 2014 Medi-Cal services were received partially in FY 2014 and partially in FY 2015, which attributed to appearance of the decrease in net patient service revenues in FY 2014.

Particular Facts to Note:

- Provisions for doubtful accounts have decreased in approximately 85.5% from FY 2013 of approximately negative $107 million, to FY 2014 of approximately negative $90 million, to FY 2015 of approximately negative $15.5 million. According to MHS management, the drop in doubtful accounts was due to increase in Medi-Cal patients and Medi-Cal reimbursements. The increase in Medi-Cal patients and reimbursements was the biggest impact the Affordable Care Act had on MHS. Medi-Cal and Medicare net patient revenues payor source percentage have grown from FY 2013 of approximately 26%, to FY 2014 of approximately 32%, to FY 2015 of approximately 35%.

- In FY 2014, MHS has gained approximately $5.4 million in the sale of assets. According to MHS management, real estate was previously purchased for the intent of becoming MHS' new headquarter building. However, in FY 2013, MHS decided to purchase the Fountain Valley property to accommodate the larger need in space for its new headquarter. Therefore, the real estate property was sold and MHS was able to gain approximately $5.4 million in profit.

- In FY 2015, MHS had a single anomaly gain of approximately $6 million from a sale of interest in joint venture. According to MHS management, in August 2014, Orange Coast Memorial Medical Center had sold 25% interest in Memorial Care Surgical Center at Orange Coast, LLC to Surgical Care Affiliates for approximately $8 million and transferred the remaining 26% interest to MemorialCare Medical Foundation.

- Unrealized gains investment income decreased from approximately $91 million in FY 2014 to approximately negative $89 million in FY 2015. According to MHS management, the loss was primarily in holding commodities and natural resources. Fluctuating market conditions was the main reason for the loss; however, the markets were favorable this last fiscal year and MHS was able to rebound in FY 2016. The loss contributed to approximately 5% of the total revenues.

Financial Discussion – Statement of Financial Position (Balance Sheet)

The Obligated Group's balance sheet appears solid with an operating pro-forma debt service coverage ratio of 6.08x.

The Obligated Group has increased in total assets from FY 2014 to FY 2015, with the purchase of a new headquarter in Fountain Valley, along with the purchase of a variety of other health business ventures. The purchase of these facilities increased total liabilities and decreased the debt service coverage ratio from FY 2013 of 7.21x to FY 2015 of 5.70x. In July 2013, MHS received bond proceeds in the amount of $50 million in Series 2013A and $50 million in Series 2013B for the construction, expansion, remodeling, renovation furnishing and equipping, and acquisition of health facilities of the Corporation and its affiliates. The proposed new bond will be used to refund the Series 2013B along with the Series 1991 bond will increase the Obligated Group's debt-to-unrestricted net assets ratio of .21x, to a profroma debt-to-unrestricted net assets ratio of 0.32x. The Obligated Group displays an ability to repay its debt obligations as the FY 2015 proforma debt service coverage ratio increases to 6.08x.

Particular Facts to Note:

- Total assets have increased approximately 15% from FY 2013 of approximately $2.4 billion, to FY 2014 of approximately $2.7 billion, to FY 2015 of approximately $2.8 billion. According to MHS Management, this increase was due to the purchase of the MHS' headquarter in Fountain Valley, along with the purchase of a variety of smaller health business ventures. Long-term investments were a large contributing factor of this growth, with an increase of approximately 45% from FY 2013 of approximately $1 billion, to FY 2015 of approximately $1.4 billion. According to MHS management, the markets were very favorable, especially in FY 2014.
- Patient accounts receivable experienced a slight decrease of approximately 7%, from FY 2013 of approximately $316 million, to FY 2014 of approximately $239 million, to FY 2015 of approximately $293 million. According to MHS management, this fluctuation is due to the inconsistent Medi-Cal reimbursement through the HQAF program.
- In FY 2013 and FY 2014, MHS received dues from affiliates of approximately $13 million and $35 million, respectively. According to MHS management, MHS is the parent corporation that manages all cash transactions of all its affiliates. The due to and due from amounts are floating transactions within the company. Any funds received, such as Medi-Cal reimbursements will go through the parent corporation then will be due to the respective affiliate.

V. DUE DILIGENCE:

Due diligence has been completed with regard to the following items:

- **Section 15438.5(a) of the Act (Savings Pass Through):** MHS properly completed and submitted the "Pass-Through Savings Certification."

- **Section 15491.1 of the Act (Community Service Requirement):** MHS properly completed and submitted this certification and indicated that Medi-Cal and Medicare patients are accepted.

  As of Fiscal Year Ending (FYE) 2015, MHS has provided over $13 million in care services at reduced or no cost to patients who can't afford to pay, are uninsured and/or underinsured. MHS has provided over $158 million in total community benefits, which includes free services to patients, education and research, support to community health and organizations, and unreimbursed MediCare/Medi-Cal services. MHS community support range from providing tobacco-free education for youth, to services for local health screenings and flu shot clinics, and education programs for medical students, nurses, physicians, and other health professionals. This year, the continuum of care will be extended to focus on the access of healthcare services such as medical homes, transportation, mental health and preventative care.

  www.memorialcare.org/content/community-benefit

- **Compliance with Seismic Regulations:** MHS properly submitted a description of how it is complying with OSHPD seismic evaluation regulations.

- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act):** MHS properly submitted relevant documentation addressing CEQA.

- **Religious Affiliation Due Diligence:** MHS properly completed and submitted relevant documentation to meet the religious due diligence requirement.

- **Legal Review:** MHS properly completed and submitted relevant documentation for the Authority's Legal Questionnaire.

- **Iran Contracting Act Certificate:** Not applicable for this transaction.

EXHIBIT 1

PROJECT SITES

Memorial Health Services

- 17330-17390 Brookhurst Street, Fountain Valley, California
- 10101 Slater Avenue, Fountain Valley, California

Long Beach Memorial Medical Center

- 2801 Atlantic Avenue, Long Beach, California

Miller Children's & Women's Hospital Long Beach

- 2801 Atlantic Avenue, Long Beach, California

Orange Coast Memorial Medical Center

- 18111 Brookhurst Street, Fountain Valley, California

Saddleback Memorial Medical Center – Laguna Hills

- 24451 Health Center Drive, Laguna Hills, California

EXHIBIT 2

FINANCING TEAM

Borrower:	Memorial Health Services
Agent for Sale:	California State Treasurer
Issuer's Counsel:	Office of the Attorney General
Issuer's Financial Advisor:	KNN Public Finance, LLC
Issuer's Financial Analyst:	Macias Gini & O'Connell, LLP
Borrower's Counsel:	O'Melveny & Myers LLP
Borrower's Financial Advisor:	Ponder & Co.
Bond Counsel:	Norton Rose Fulbright US LLP
Fixed Direct Purchase Bank:	TD Bank N.A.
Variable Direct Purchase Bank:	U.S. Bank National Association
Direct Purchase Bank Counsel:	Chapman and Cutler LLP
Trustee:	U.S. Bank Global Corporate Trust
Trustee Counsel:	Dorsey & Whitney LLP

EXHIBIT 3

UTILIZATION STATISTICS

Memorial Health Services

The following table summarizes the Obligated Group's utilization data for the fiscal years below:

Utilization Statistics
Obligated Group

	Fiscal Year Ended June 30,		
Provider	**2015** [c]	**2014** [c]	**2013** [d]
Available Beds	1,530	1,494	1,494
Patient Admissions [a]	68,645	68,412	70,373
Patient Days [a]	294,957	288,936	307,480
Average Length of Stay	4.3	4.22	4.37
Occupancy % Based on Available Beds	52.8%	53.0%	56.4%
Emergency Room Visits [b]	179,045	161,831	151,697

[a] Excludes well newborns

[b] Excludes emergency room patients admitted

[c] Includes Long Beach Memorial, Miller Children's Hospital Long Beach, and Community Hospital of Long Beach

[d] Includes Long Beach Memorial, Miller Children's Hospital Long Beach, and Community Hospital of Long Beach, excluding the 42 and 50 beds held in suspense at Long Beach Memorial and Community Hospital of Long Beach, respectively

EXHIBIT 4

OUTSTANDING DEBT

Obligated Group
(in thousands)

Date Issued		Original Amount		Amount Outstanding[a] As of June 30, 2015		Estimated Amount Outstanding after Proposed Financing
-EXISTING LONG-TERM DEBT:						
City of Long Beach Variable Rate Health Facility Revenue Bonds 1991	$	65,000	$	65,000	$	-
CHFFA Variable Rate Revenue Bonds 1994		85,000		56,100		56,100
CHFFA Revenue Bonds, Series 2012A		163,735		156,672		156,672
Fixed Rate Taxable Bonds 2012		100,000		99,521		99,521
Taxable Loan 2012		100,000		99,802		99,802
CHFFA Variable Rate Revenue Bonds, Series 2013A		50,000		49,226		49,226
CHFFA Variable Rate Revenue Bonds, Series 2013B		50,000		49,226		-
- PROPOSED NEW DEBT:						
CHFFA Revenue Bonds, Series 2016						**115,000**
- TOTAL DEBT			**$**	**575,547**	**$**	**576,321**

(a) Includes current portion of long-term debt.

EXHIBIT 5

BACKGROUND, GOVERNANCE AND LICENSURE

Background

Memorial Health Services ("MHS"), a California nonprofit public benefit corporation, was organized in 1937 to provide community hospital services. MHS is the "parent" corporation of a multi-hospital, multi-discipline health care system (the "System") headquartered in Fountain Valley, California. MHS provides a broad range of health care services, including inpatient and ambulatory health care services, clinical and laboratory programs of medical and scientific research, and other educational and charitable activities. The mission of the System is to improve the health and well-being of individuals, families, and the communities it serves.

The operations of the System are primarily in south Los Angeles County and Orange County. The System is comprised of five acute care hospitals, with a total of 1,580 licensed acute care beds, in addition to rehabilitation, hospice, and home health care services. The System also includes outpatient and diagnostic facilities, rental clinics, fundraising foundations, a medical foundation, medical research facilities, a licensed health care service plan, medical education programs and a health education center. The System's integrated delivery of health care services is provided through the many affiliates and joint ventures with physicians organizations to keep up with the continuing changes of the health care environment.

MHS included:

- Five acute care facilities, two medical groups, a licensed health plan, and numerous outpatient health centers, imaging centers and surgery centers throughout Orange County and Los Angeles County.
- The medical foundation provides administration, management and contracting services for primary care providers and individual and physician groups.

Obligated Group

The Obligated Group consists of MHS and five acute care hospitals, each of which is a California nonprofit public benefit corporation that provides services in Southern California. The Obligated Group is the central financing vehicle and credit for MHS and its operating divisions.

Obligated Group Members

- Memorial Health Services
- Long Beach Memorial Medical Center[1]
- Orange Coast Memorial Medical Center
- Saddleback Memorial Medical Center

Only the Obligated Group Members have assumed financial obligations related to the payment or security for any bonds or any other obligations incurred under the Master Indenture.

[1] Includes Miller Children's Hospital Long Beach, Community Hospital Long Beach, and Memorial Medical Center Foundation

Corporate Governance

The corporate governance of MHS is vested in a Board of Directors that consists of between 10 and 17 directors, six of whom serve ex officio as voting members of the board of directors. The directors for each Obligated Group Member are local business and community leaders and physicians who are committed to quality health care in the respective Obligated Group Member's service area.

Licensure and Memberships

Each MHS affiliated hospital is licensed by the California Department of Health Services to the extent required by law for the level of care it delivers and is certified to participate in the Medicare and Medi-Cal programs.

RESOLUTION NO. 418

**RESOLUTION OF THE
CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
AUTHORIZING THE ISSUANCE OF REVENUE BONDS
TO REFINANCE PROJECTS AT THE HEALTH FACILITIES OF
MEMORIAL HEALTH SERVICES AND CERTAIN AFFILIATED CORPORATIONS**

WHEREAS, the California Health Facilities Financing Authority (the "Authority"), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Health Facilities Financing Authority Act (the "Act") to issue revenue bonds and loan proceeds thereof to any participating health institution to finance the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities (including by reimbursing expenditures made for such purposes), to refinance indebtedness of a participating health institution in connection therewith and to refund any outstanding bonds or any outstanding series or issue of bonds of the Authority;

WHEREAS, Memorial Health Services is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Borrower"), and is affiliated with Long Beach Memorial Medical Center, Saddleback Memorial Medical Center and Orange Coast Memorial Medical Center (each, together with the Borrower, a "Member" of the "Obligated Group"), each of which is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California and each of which, together with the Corporation, owns and operates health care facilities in the State of California;

WHEREAS, the City of Long Beach, California, and the Authority each has previously issued its respective revenue bonds listed in Exhibit B attached hereto (the "Prior Bonds"), in the total aggregate principal amount of $115,000,000, all of which currently is outstanding, and loaned the proceeds thereof to the Borrower, to finance and refinance the acquisition, construction, renovation and equipping of certain facilities owned and operated by the Borrower and various Members of the Obligated Group, as more particularly described under the caption "Prior Project" in Exhibit A hereto (the "Prior Project");

WHEREAS, the Borrower has requested that the Authority issue one or more series of its revenue bonds in an aggregate principal amount not to exceed $115,000,000, and make one or more loans of the proceeds thereof to the Borrower to refinance all of the outstanding Prior Bonds;

WHEREAS, to the extent required by subdivision (b) of Section 15455 of the Government Code, the Borrower has provided documentation to the Authority demonstrating, to the extent applicable, that the Prior Project has complied with Division 13 (commencing with Section 21000) of the Public Resources Code or is not a "project" under such division; and

WHEREAS, approval of the terms of issuance and sale of such revenue bonds and various related matters is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Health Facilities Financing Authority, as follows:

SECTION 1. Pursuant to the Act, revenue bonds of the Authority designated as the “California Health Facilities Financing Authority Revenue Bonds (Memorial Health Services)” (the “Bonds”) in a total aggregate principal amount not to exceed $115,000,000, are hereby authorized to be issued from time to time, in one or more series, with such other name or names of the Bonds or series thereof as designated in any of the indentures pursuant to which the Bonds will be issued. The proceeds of the Bonds shall be used for any or all of the purposes set forth in the fourth recital above.

SECTION 2. The Treasurer of the State of California (the “Treasurer”) is hereby authorized to enter into agreements to sell the Bonds in one or more series, on one or more sale dates at any time within one year of the adoption of this Resolution, at public or private sale, in such aggregate principal amounts (not to exceed the aggregate principal amount set forth in Section 1), at such prices (so long as the discount on the Bonds sold shall not exceed 6 percent of the par value thereof) and at such interest rate or rates and upon such other terms and conditions as the Treasurer, with the advice and consent of the Borrower, may determine. The Bonds shall, at issuance, be rated at investment grade by an active nationally recognized rating agency. The Bonds or any series of them may, at the sole option of the Borrower, be secured by deeds of trust, a reserve fund, bond insurance, credit facility and other security arrangements and/or be supported by one or more liquidity facilities.

SECTION 3. The following documents:

(i) one or more Loan Agreements relating to the Bonds (the “Loan Agreements”), between the Authority and the Borrower,

(ii) one or more Bond Indentures relating to the Bonds (the “Bond Indentures”), between the Authority and U.S. Bank National Association, as bond trustee (the “Trustee”), and

(iii) one or more Bond Purchase Contracts, including the exhibits thereto, relating to the Bonds (the “Purchase Contracts”), each among the direct-purchaser financial institution party thereto (the “Purchaser”), the Treasurer and the Authority, and approved by the Borrower,

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect provisions relating to a deed of trust, a bond reserve fund, bond insurance, any other credit and/or liquidity facility and/or another security arrangement, at the sole option of the Borrower, for any series of Bonds) as the officer executing the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Loan Agreements, the Bond Indentures and the Purchase Contracts. The Executive Director shall seek the advice of bond counsel and counsel to the Authority with respect to any such insertions, deletions or changes therein.

SECTION 4. The Authority hereby specifically finds and declares that the findings of the Authority set forth in the Loan Agreements are true and correct.

SECTION 5. The dated dates, maturity dates (not exceeding 40 years from the respective date of issue), interest rates, manner of determining interest rates, interest payment dates, denominations, forms, registration privileges or requirements, place or places of payment, terms of tender or purchase, terms of redemption, provisions governing transfer and other terms of the Bonds, including provisions for a credit facility and/or a liquidity facility from time to time, shall be as provided in each Bond Indenture, as finally executed.

SECTION 6. The Bonds, when executed, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to or upon direction of the Purchaser thereof in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved. Said instructions shall provide for the delivery of the Bonds to or upon direction of the Purchaser, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

SECTION 7. Each officer of the Authority is hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things which (s)he may deem necessary or advisable in order to consummate the issuance, sale, and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution and the Bond Indentures, Loan Agreement and Bond Purchase Contracts. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: (a) a tax certificate and agreement and other certifications; and (b) any agreement or commitment letter with respect to the provisions of bond insurance, a letter of credit, a surety bond, a credit facility and/or a liquidity facility for the Bonds.

SECTION 8. The provisions of the Authority's Resolution No. 2014-05 apply to the documents and actions approved in this Resolution.

SECTION 9. The Authority hereby approves and ratifies each and every action taken by its officers, agents and employees prior to the date hereof in furtherance of the purposes of this Resolution.

SECTION 10. This Resolution shall take effect from and after the date of adoption.

Date of Adoption: ___________________________

EXHIBIT A

Prior Project

The Prior Project consists of the financing and refinancing of the acquisition, construction, renovation and/or equipping of the following health and related facilities of Memorial Health Services (the "Borrower") or certain of its affiliates:

(A) **Memorial Health Services** - three three-story buildings comprising a total of approximately 300,000 square feet, together with adjacent land and a parking structure, constituting the Borrower's new corporate headquarters, located at Fountain Valley City Centre, 17330-17390 Brookhurst Street, Fountain Valley, California, which is owned and operated by the Borrower;

(B) **Land and surface parking,** located at 10101 Slater Avenue, Fountain Valley, California, which is owned and operated by the Borrower;

(C) **Long Beach Memorial Medical Center**, a 458-licensed-bed acute care hospital facility, and **Miller Children's & Women's Hospital Long Beach**, a 371-licensed-bed acute care hospital facility, each located at 2801 Atlantic Avenue, Long Beach, California, which are owned and operated by Long Beach Memorial Medical Center, including the construction of a five-level parking structure; and

(D) Equipment acquisition for: (i) **Orange Coast Memorial Medical Center**, a 218-licensed-bed acute care hospital facility located at 18111 Brookhurst Street, Fountain Valley, California, which is owned and operated by Orange Coast Memorial Medical Center, and (ii) **Saddleback Memorial Medical Center – Laguna Hills**, a 252-licensed-bed acute care hospital facility located at 24451 Health Center Drive, Laguna Hills, California, which is owned and operated by Saddleback Memorial Medical Center.

EXHIBIT B

Prior Bonds

$65,000,000 City of Long Beach, California
Variable Rate Health Facility Revenue Bonds
(Memorial Health Services)
1991 Series

$50,000,000 California Health Facilities Financing Authority
Variable Rate Revenue Bonds
(Memorial Health Services)
Series 2013B