CHFFA BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Marshall Medical Center (Marshall) 1100 Marshall Way Placerville, CA 95667 El Dorado County	**Tax-Exempt Amount Requested:** **Taxable Amount Requested:** **Requested Loan Term:** **Authority Meeting Date:** **Resolution Number:**	$56,000,000 $26,000,000 Up to 40 years March 26, 2020 440

Project Sites: *See Exhibit 1*
Facility Types: Acute Care Hospital
Eligibility: Government Code Section 15432(d) (1)
Prior Borrower: Yes (date of last CHFFA issue, April 2015)

Background: Established in 1959, Marshall is a nonprofit community hospital licensed to operate 125 beds located in Placerville with additional outpatient facilities in Cameron Park, Placerville, El Dorado Hills and Georgetown and primary and specialty care clinics throughout El Dorado County. Marshall provides a broad range of primary and secondary level acute medical and surgical services at its facility as well as a full range of outpatient services and 24-hour emergency care services. Other services include home health, a rural health clinic, pediatric services and mental health services.

Use of Proceeds: Bond proceeds will be used to fund the acquisition, construction, expansion, remodeling, renovation, furnishing, equipping, and reimbursement of multiple facilities. Additionally, bond proceeds will be used to refund the CHFFA 2004 Series B bonds.

Type of Issue: Negotiated public offering with fixed rate bonds
Credit Enhancement: Cal-Mortgage Insurance (Pending approval)
Expected Credit Rating: AA- (S&P) based on Cal-Mortgage Insurance
Financing Team: *Please see Exhibit 2 to identify possible Conflicts of Interest*

Financial Overview: Marshall's income statement appears to exhibit increasing net operating income over the review period with continued revenue growth. Marshall's balance sheet displays strong ability to repay debt with a pro-forma debt service coverage ratio of 2.69x and positive net assets.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
Tax-exempt Bond Proceeds	$56,000,000	Project Fund	$65,998,630
Taxable Bond Proceeds	26,000,000	Refunding Bonds	20,038,278
Equity Contribution	8,532,953	Reserve Fund	1,367,562
		Financing Costs	3,128,483
Total Estimated Sources	$90,532,953	Total Estimated Uses	$90,532,953

Due Diligence: Staff has received and reviewed the Eligibility, Legal Review, Religious Affiliation Due Diligence, Seismic Regulations and CEQA documentation, and the certifications for Community Service Obligation, Pass-Through Savings, and the Iran Contracting Act. All documentation satisfies the Authority's requirements.

Staff Recommendation: Staff recommends the Authority approve Resolution Number 440 in an amount not to exceed $82,000,000 for Marshall Medical Center subject to the conditions in the resolution. TAP International, Inc., the Authority's financial analyst, and KNN Public Finance, LLC (KNN), the Authority's municipal advisor, concurs with the Authority's staff recommendation.

I. PURPOSE OF FINANCING:

Marshall seeks to issue taxable and tax-exempt bonds to refinance existing debt and fund various projects for multiple facilities including the remodeling of the Medical Center kitchen, dining area and pharmacy, the replacement of a cardiac catheterization laboratory and the purchasing of generators. Marshall will use the tax-exempt bond proceeds to perform facility upgrades and is issuing taxable bonds to reimburse itself for previous capital expenditures.

Additionally, Marshall will use tax-exempt proceeds to refinance approximately $20 million in outstanding debt that had been used to fund various improvements and expansions of several sites that also provide primary and secondary level acute medical services. The refunding will allow Marshall to eliminate interest rate risk associated with variable rate debt and lock in its cost of capital at interest rates near all-time lows. Marshall expects the refunding will result in net present value savings on its existing debt service in an amount yet to be determined.

Project Fund.. $65,998,630

New Projects

Tax-exempt bond proceeds will be used to expand and remodel various facilities including a cardiac catheterization laboratory, pharmacy and MRI space. These projects will help Marshall modernize, meet new regulations, and expand capacity for various services. The proceeds will also be used to purchase a new 3,200 square foot clinic at the Fowler Way location that will add cardiac rehabilitation and pulmonary rehabilitation to Marshall's services. Furthermore, the funds will be used to purchase a variety of new equipment including an ORTHO-VISION blood bank analyzer and a spectrum pump. Lastly, the new money bond proceeds will be used to purchase three parcels of land that will be used to build a parking structure. The structure is anticipated to hold over 200 parking spaces and will allow Marshall to close two dirt lots that currently holds 60 parking spaces. Bond proceeds will only finance the purchase of the land, and Marshall plans to use its equity to pay for the construction of the parking structure.

Reimbursed Projects

Taxable bond proceeds will be used to reimburse various capital expenditures at several locations, including Marshall's main hospital that provides all of its inpatient services. These expenditures include a number of renovation and remodeling projects such as the renovation of a radiology room and the remodeling of a Constrictive Pericarditis-imaging center, as well as the purchase of equipment including new ortho-surgical equipment and the replacement of several HVACs.

Refinance	**20,038,278**

CHFFA 2004 Series B Bonds

The CHFFA 2004 Series B bonds were originally issued in the amount of $20 million, of which the full amount remains outstanding. The proceeds of the CHFFA 2004 Series B bonds were used to expand an existing facility, creating space to add approximately 25 more beds, and to expand ancillary services. The CHFFA 2004 Series B bonds were also used for renovations at various sites, which included expansion of clinical lab suites, a pharmacy and remodeling of the conference rooms and electrical/mechanical system upgrades.

Reserve Fund		**1,367,562**
Financing Costs		**3,128,483**
Estimated underwriter's discount	$ 499,763	
Estimated cost of issuance	499,762	
Estimated Cal-Mortgage insurance	2,125,813	
Total Estimated Uses of Funds		**$90,532,953**

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II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

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 Marshall's credit profile, including its current financial profile, prior bond transactions and considering what the market will support, KNN and the underwriter have concluded that (i) the covenants listed below align with the interests of Marshall, the Authority, and the investors, (ii) such covenants are consistent with covenants that have applied to Marshall's prior bond transactions and (iii) Marshall's current financial situation does not suggest that additional covenants should be required.

<u>The following covenants are applicable to this transaction[1]:</u>

Cal-Mortgage Insurance. *The primary security for this transaction is insurance from the Office of Statewide Health Planning and Development Cal-Mortgage Insurance Program (Cal-Mortgage) covering payment of principal and interest on the 2020 Bonds. Separate insurance contracts have been provided by Cal-Mortgage for all prior CHFFA bonds issued for the benefit of Marshall, including prior issues in 1986, 1988, 1992, 1993, 1998, 2004, 2012 and 2015. Following completion of this proposed 2020 transaction, the only CHFFA/Marshall bonds that will remain outstanding are the 2012, 2015 and the 2020 Bonds. Those outstanding bonds will all be secured on a parity basis enjoying the benefits of the security and covenants on a pro rata basis.*

Deed of Trust (Construction Trust Deed and Fixture Filing). *As is required by the Insurance Law, Marshall has executed a Deed of Trust (Construction Trust Deed and Fixture Filing) covering all of its major revenue-producing properties, equipment and intangible assets which are pledged to the Trustee, as assignee of the Authority, and Cal-Mortgage. Cal-Mortgage can release properties or assets from the Deed of Trust without consent from the Authority or Bondholders.*

Bond Reserve Account. *There is a bond reserve account currently securing the 2012 and the 2015 bonds, and, upon issuance of the 2020 Bonds, will also secure the 2020 Bonds, and will be funded at Maximum Annual Bond Service for the combined 2012, 2015 and 2020 Bonds. If the reserve is ever tapped for a bond payment, Marshall is required to deposit amounts to the reserve to maintain it at the required level within 12 months.*

Unconditional Promise to Pay. *Marshall agrees to pay the Trustee all amounts required for principal, interest or redemption premium, if applicable, and other payments and expenses designated in the Loan Agreement. All Revenues (which will include payments under the Loan Agreement) and any other amounts held in one of the designated funds or accounts under the Bond Indenture are pledged to secure the full payment of the 2012, 2015 and 2020 Bonds.*

[1] Capitalized terms defined in the Indenture.

Pledge of Gross Revenues. *Marshall pledges to deposit all revenues, income, receipts and money received into a Gross Revenue Fund over which the Trustee has a deposit account agreement for the benefit of bondholders and Cal-Mortgage.*

Negative Pledge Against Prior Liens. *Marshall agrees not to create, assume or permit any lien upon the Facilities or Gross Revenues other than Permitted Encumbrances.*

Debt Service Coverage Requirement. *The Loan Agreement contains a debt service coverage requirement based on 1.20 times Aggregate Debt Service, and the Regulatory Agreement contains a debt service coverage requirement based on 1.25 times Maximum Aggregate Annual Debt Service.*

Additional Debt Limitation. *Marshall agrees not to incur additional Indebtedness unless authorized by various financial performance or projection measures set out in the Loan Agreement and the Regulatory Agreement.*

Limitations on Mergers, Sales or Conveyances. *Marshall agrees not to merge or consolidate with any other entity or sell or convey all or substantially all of its assets to any Person unless authorized by various limiting measures in the Loan Agreement and the Regulatory Agreement.*

Disposition of Cash and Property Limitations. *The Loan Agreement and the Regulatory Agreement do not permit Marshall to sell, lease or dispose of any property, plant or equipment or cash or cash equivalents unless authorized by various limiting measures.*

Limitations or Acquisition of Plant, Property and Equipment (PP&E). *The Loan Agreement and the Regulatory Agreement require Marshall to deliver certain certifications and obtain the consent of Cal-Mortgage before it acquires PP&E with certain defined exceptions.*

Comply with SEC Rule 15c2-12. *Under the continuing disclosure agreement and in order to assist the underwriter in complying with SEC Rule 15c2-12, Marshall will contractually agree to disclose designated financial and operating information to the SEC web site (EMMA) during the life of the 2020 Bonds on an annual/quarterly basis and to report designated "material events" such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc.*

Staff has reviewed the contents of this financing package and find these documents and proposed covenants to be acceptable. KNN has reviewed the Indenture and Loan Agreement associated with this financing package and find these documents and proposed covenants to be acceptable.

III. FINANCIAL STATEMENTS AND ANALYSIS:

	As of October 31, 2019	2018	2017
Operating revenues:			
Net patient service revenue less provision for bad debts	$ 283,329,977	$ 265,972,641	$ 240,291,634
Other revenue	2,551,062	1,194,041	1,113,334
Total operating revenues	285,881,039	267,166,682	241,404,968
Operating expenses:			
Salaries and wages	99,773,872	97,284,951	93,884,091
Employee benefits	48,774,205	46,509,920	45,752,882
Professional fees	50,863,510	48,894,898	42,506,000
Supplies	34,460,292	30,971,642	30,591,656
Depreciation and amortization	12,495,499	12,741,181	11,867,641
Purchased services	17,014,360	17,523,494	14,432,504
Registry	1,860,303	2,780,063	3,332,553
Interest	1,754,011	1,727,131	1,513,692
Other	9,299,305	10,107,885	9,051,946
Total operating expenses	276,295,357	268,541,165	252,932,965
Operating Income	9,585,682	(1,374,483)	(11,527,997)
Nonoperating income:			
Investment income	1,884,483	2,707,182	5,274,947
Other	96,130	17,743	(108,415)
Net nonoperating income	1,980,613	2,724,925	5,166,532
Excess of revenues over expenses	11,566,295	1,350,442	(6,361,465)
Unrealized gains (losses) on investments, net	632,309	(1,844,246)	801,858
Pension related changes other than net periodic pension costs	(33,030,552)	4,619,225	1,905,708
Net assests released from restriction for purchase of property and equipment	587,672	135,093	679,957
Change in net assets	(20,244,276)	4,260,514	(2,973,942)
Unrestricted net assets, beginning of year	97,433,085	93,231,341	96,149,556
Member distributions	(153,199)	(58,770)	-
Unrestricted net assets, end of year	$ 77,035,610	$ 97,433,085	$ 93,175,614

For Fiscal Year End October 31

Payor Source	% of Net Patient Service Revenue		Patient Days			
	2019	2018	2019 Total	%	2018 Total	%
Medicare	35%	39%	12,079	61.7	13,169	62.9
Medi-Cal	22%	15%	4,666	23.8	4,929	23.6
Individual patients	14%	9%	104	0.5	98	0.5
Private insurance and Other	29%	37%	2,727	14	2,732	13.1
Total	**100%**	**100%**	**19,576**	**100%**	**20,928**	**100%**

Marshall Medical Center
Statements of Financial Position
(Balance Sheet)

	As of October 31,		
	2019	**2018**	**2017**
Assets			
Current assets:			
Cash and cash equivalents	$ 22,097,361	$ 24,760,264	$ 22,066,595
Current portion of bond funds - held by trustee	3,040,319	3,014,894	3,003,119
Patient accounts receivable, net	36,959,352	31,193,192	31,140,661
Estimated third-party payor settlements receivable	307,396	290,384	184,865
Other receivables	4,135,897	3,863,587	3,622,603
Inventories	4,453,341	4,008,434	3,448,792
Prepaid expenses	1,952,415	2,938,817	1,732,408
Other current assets	-	-	25,000
Total current assets	72,946,081	70,069,572	65,224,043
Assets limited as to use:			
Bond funds - held by trustee	7,894,746	7,795,155	7,778,845
Board designated	17,281,152	23,752,578	31,565,626
Beneficial interest held by Marshal Foundation for Community Health	230,275	241,115	123,842
Less current portion of bond funds - held by trustee	(3,040,319)	(3,014,894)	(3,003,119)
Assets limited as to use, net	22,365,854	28,773,954	36,465,194
Property and equipment, net	118,734,703	117,651,035	118,740,647
Other assets:			
Prepaid bond insurance, net	1,249,826	1,422,777	1,605,549
Intangible assets, net	6,789,687	6,789,687	6,789,687
Other assets	2,705,057	2,312,550	1,912,594
Investment in medical offices, net of accumulated depreciation	-	-	1,138,567
Long-term investments	-	-	18,776
Total other assets	10,744,570	10,525,014	11,465,173
Total assets	$ 224,791,208	$ 227,019,575	$ 231,895,057

(Continued)

	2019	As of October 31, 2018	2017
Liabilities and Net Assets			
Current liabilities:			
Current portion of long-term debt	$ 2,654,342	$ 2,768,670	$ 2,711,366
Bond interest payable	816,922	824,337	868,348
Accounts payable and accrued expenses	20,862,673	21,223,917	22,702,677
Accrued compensation and related costs	10,448,654	9,975,877	9,729,088
Estimated third-party payor settlements liabilities	514,031	1,019,083	1,586,392
Total current liabilities	35,296,622	35,811,884	37,597,871
Noncurrent liabilities			
Long-term debt, net of current portion	52,799,607	55,739,795	58,786,479
Accrued expenses	525,815	685,876	484,206
Liability for pension benefits	58,903,279	37,107,820	41,727,045
Total noncurrent liabilities	112,228,701	93,533,491	100,997,730
Total liabilities	147,525,323	129,345,375	138,595,601
Net assets:			
Without Donor Restrictions			
Controlling	76,945,000	97,312,344	-
Noncontrolling	90,610	120,741	-
Total Without Donor Restrictions	77,035,610	97,433,085	-
With Donor Restrictions	230,275	241,115	-
Unrestricted	-	-	93,175,614
Temporarily restricted	-	-	123,842
Total net assets	77,265,885	97,674,200	93,299,456
Total liabilities and net assets	$ 224,791,208	$ 227,019,575	$ 231,895,057

	Proforma FYE October 31, 2019	**2019**	**2018**	**2017**
Debt Service Coverage (x) - Operating	2.69	5.25	2.93	0.43
Debt Service Coverage (x) - Net Assets	(0.68)	(1.32)	4.19	2.42
Debt to Unrestricted Net Assets (x)	1.42	0.72	0.60	0.66
Margin (%)		4.02	0.50	(2.58)
Current Ratio (x)		2.07	1.96	1.73

Financial Discussion - Statement of Activities (Income Statement)

Marshall's income statement appears to exhibit increasing net operating income over the review period with continued revenue growth.

Marshall's net operating income appears to show an increasing trend from a loss of approximately $11.5 million in FY 2017 to a gain of approximately $9.6 million in FY 2019. The increase in operating revenues exceeded the increase in operating expenses, causing the growth in net operating income. Operating expenses increased by 8% from approximately $252.9 million in FY 2017 to approximately $276.3 million in FY 2019. According to Marshall's management, this increase is due to growth in Marshall's outpatient clinics, growing 17% between FY 2018 and FY 2019, and, subsequently, cancer pharmaceutical expenses, particularly for Marshall's cancer chemo center, and physician professional fees increased. Marshall also increased salaries to meet the current market for healthcare workers. However, Marshall's operating revenue increased by 16% from approximately $241.4 million in FY 2017 to approximately $285.9 million in FY 2019 due primarily to, according to Marshall's management, Marshall's full adoption of an electronic health records system that allows the hospital to see more patients. Furthermore, Marshall's margin increased from negative 3% in FY 2017 to 4% in FY 2019, which further suggests increasingly strong operating revenues over expenses.

Changes in net assets seems to exhibit fluctuation over the review period from approximately negative $3 million in FY 2017 to $4.3 million in FY 2018 to negative $20.2 million in FY 2019. This fluctuation was mainly due to a combination of operating income and pension related changes. Although operating income increased each year, pension related changes adjusted from $4.6 million in FY 2018 to negative $33 million in FY 2019. According to Marshall's management, this adjustment is due to a change in the requirements around the actuarial computations involved, which change from year to year. More specifically, in FY 2019, the discount rate that was used to compute the pension related changes was decreased, causing the large negative adjustment in the pension related changes.

Financial Discussion - Statement of Financial Position (Balance Sheet)

Marshall's balance sheet displays strong ability to repay debt with a pro-forma debt service coverage ratio of 2.69x and positive net assets.

Marshall's operating debt service coverage ratio is a solid 5.25x in FY 2019, and with the proposed financing, the pro-forma debt service coverage ratio remains strong at 2.69x. This ratio displays Marshall's strong ability to repay its debt and readiness to take on new debt.

Marshall's debt service coverage ratio by net assets is a negative 1.32x in FY 2019, a decrease from 4.19x in FY 2018. This decrease in FY 2019 appears primarily due to pension related changes that were observed in the income statement in FY 2019. Likewise, over the three-year period, total assets decreased by 3% while total liabilities fluctuated with an overall change in total liabilities of 6%. This fluctuation in total liabilities appears to be primarily due to variabilities in liability for pension benefits from $41.7 million in FY 2017 to $37.1 million in FY 2018 to $58.9 million in FY 2019. According to Marshall's management, both the decrease in the debt service coverage ratio in FY 2019 and the fluctuation in liability for pension benefits was caused by the decrease in the assumed discount rate used to calculate pension liability.

IV. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Pass-Through Savings):** Marshall properly completed and submitted the Pass-Through Savings Certification.
- **Section 15491.1 of the Act (Community Service Obligation Requirement):** Marshall properly completed and submitted this certification and indicated that Medicare and Medi-Cal patients are accepted. Below is a link to Marshall's most recent Annual Report regarding community service:

  https://www.marshallmedical.org/documents/MMC_AnnualReport_Fiscal2018-FINAL.pdf

- **Compliance with Seismic Regulations:** Marshall properly submitted a description of how it is complying with the Office of Statewide Health Planning and Development's seismic evaluation regulations.
- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act):** Marshall properly submitted relevant documentation addressing the California Environmental Quality Act.
- **Religious Affiliation Due Diligence:** Marshall properly completed and submitted relevant documentation to meet the religious due diligence requirement.
- **Legal Review:** Marshall properly completed and submitted relevant documentation for the Authority's Legal Status Questionnaire.
- **Iran Contracting Act Certificate:** The underwriter Piper Sandler & Company properly completed and submitted the Iran Contracting Act Certificate to the Authority.

V. OUTSTANDING DEBT

Issued	Original Amount	Amount Outstanding As of October 31, 2019	Estimated Amount Outstanding after Proposed Financing
CHFFA Revenue Bonds, 2004 Series B	$ 20,000,000	$ 20,000,000	$ -
CHFFA Revenue Bonds, 2012 Series A	17,805,000	5,790,000	4,435,000
CHFFA Revenue Bonds, 2015 Series A	26,895,000	26,380,000	25,460,000
Note Payable to USDA	3,000,000	236,833	236,833
Other long-term debt	1,455,238	354,166	354,166
-PROPOSED NEW DEBT			
CHFFA Tax Exempt Bond (2020)			56,000,000
CHFFA Taxable Bond (2020)			26,000,000
-TOTAL DEBT		**$ 52,760,999**	**$ 112,485,999**

VI. UTILIZATION STATISTICS

	Fiscal Years Ended October 31,		
Acute Beds:	**2019**	**2018**	**2017**
Discharges	5,139	5,133	5,149
Average Length of Stay (Days)	3.81	4.08	4.13
Patient Days	19,576	20,928	21,276
Average Daily Census	53.63	57.34	58.29
Licensed Beds	111	111	111
Occupancy Percent	54%	58%	63%
Emergency Room Visits	27,663	27,778	28,008
Skilled Nursing Beds:			
Discharges	331	338	379
Patient Days	3,220	3,152	3,446
Licensed Beds	14	14	14
Occupancy	63%	62%	67%

VII. BACKGROUND AND LICENSURE

Background

Marshall, incorporated in 1959, is a California nonprofit community hospital licensed to operate 125 beds with additional outpatient facilities in Cameron Park, Placerville, El Dorado Hills and Georgetown and primary and specialty care clinics throughout El Dorado. Marshall is located in Placerville, California, approximately 45 miles east of Sacramento, California. Marshall provides health care services primarily to the residents of the Western slope of El Dorado County where Placerville is located. Marshall began operation at its present site as a 49-bed acute care facility in 1959 and has since expanded and modernized its facilities to meet the increasing patient care needs of its service area population. Expansion and renovation programs, completed in the 1970s and 1980s, as well as ongoing efforts increased the licensed bed capacity to its current capacity of 125 beds and expanded virtually all ancillary and support services.

Marshall's main hospital facility is a two-story structure that is located on a six-acre campus in Placerville. Marshall provides a broad range of primary and secondary level acute medical and surgical services at its facility as well as a full range of outpatient services and several primary and specialty care clinics. The main hospital campus contains a secondary two-story building, completed in 1997, which contains certain clinical and administrative services.

Licensure and Accreditation

Marshall is licensed to operate as an acute care hospital and skilled nursing facility by the California Department of Health Services.

EXHIBIT 1

PROJECT SITES

Prior Project

- 1095 and 1100 Marshall Way, Placerville, California 95667
- 3581 Palmer Drive, Cameron Park, California 95682

New Project

- 1045, 1095, and 1100 Marshall Way, Placerville, California 95667
- 1000 Fowler Way, Placerville, California 95667
- 3185, 3193, 3197, and 3207 Washington Street, Placerville, California 95667
- 3177 and 3180 Turner Street, Placerville, California 95667
- 1106 – 1112, 1126, and 1128 Corker Street, Placerville, California 95667
- 3501 and 3581 Palmer Drive, Cameron Park, California 95682
- 6425 Capitol Avenue, Diamond Springs, California 95619

EXHIBIT 2

FINANCING TEAM

Borrower:	Marshall Medical Center
Agent for Sale:	California State Treasurer
Issuer's Counsel:	Office of the Attorney General
Issuer's Municipal Advisor:	KNN Public Finance, LLC
Issuer's Financial Analyst:	TAP International, Incorporated
Borrower's Counsel:	Hooper, Lundy & Bookman, PC
Bond Counsel:	Orrick, Herrington & Sutcliff LLP
Underwriter:	Piper Sandler & Co.
Underwriter's Counsel:	Norton Rose Fulbright US LLP
Trustee:	MUFG Union Bank, N.A.
Bond Insurer:	Office of Statewide Health Planning and Development – Cal-Mortgage Loan Insurance Division
Auditor:	CliftonLarsonAllen LLP
Feasibility Consultant:	Moss Adams LLP

RESOLUTION NO. 440

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF INSURED REVENUE BONDS TO FINANCE AND REFINANCE PROJECTS AT THE HEALTH FACILITIES OF MARSHALL MEDICAL CENTER

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 the 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 refinancing 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, Marshall Medical Center (the "Corporation") is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California which owns and operates heath care facilities in the State of California;

WHEREAS, the Authority has previously issued the California Health Facilities Financing Authority Insured Hospital Revenue Bonds (Marshall Medical Center) 2004 Series B (the "Prior Bonds") in the original aggregate principal amount of $20,000,000, of which $20,000,000 is currently outstanding, and loaned the proceeds thereof to the Corporation of to finance the acquisition, construction, rehabilitation, and remodeling of certain health facilities, as more particularly described under the caption "Prior Project" in Exhibit A hereto (the "Prior Project");

WHEREAS, the Corporation has requested that the Authority issue one or more series of its revenue bonds, in an aggregate principal amount not to exceed $82,000,000, and make one or more loans of the proceeds thereof to the Corporation to (i) finance the costs of the acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of certain health facilities owned and operated by the Corporation, as more particularly described under the caption "New Project" in Exhibit A hereto (the "New Project" and, together with the Prior Project, the "Project"); (ii) refund all or any portion of the outstanding Prior Bonds; (iii) fund an additional deposit to the bond reserve account, if necessary, and (iv) pay costs incurred in connection with the issuance of the Bonds (defined below), including an insurance premium and related fees to the Office of Statewide Health Planning and Development of the State of California (the "Office");

WHEREAS, to the extent required by subdivision (b) of Section 15455 of the Government Code, the Corporation has provided documentation to the Authority demonstrating, to the extent applicable, that the 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 the 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 Insured Revenue Bonds (Marshall Medical Center), Series 2020A in a principal amount not to exceed $56,000,000 (the "Series 2020A Bonds") and the California Health Facilities Financing Authority Insured Revenue Bonds (Marshall Medical Center), Series 2020B (Federally Taxable) in a principal amount not to exceed $26,000,000 (the "Series 2020B Bonds" and, together with the Series 2020 Bonds, the "Bonds"), are hereby authorized to be issued from time to time, in one or more series, as federally tax-exempt bonds or federally taxable bonds, with such other name or names of the Bonds or series thereof as designated in the indenture pursuant to which the Bonds will be issued, subject to insurance by the Office. 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 prior to the first anniversary of the date 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) and in such series, 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 Corporation, may determine. The Bonds shall, at issuance, be rated at investment grade by an active nationally recognized rating agency.

Section 3. The following documents:

(i) the Eighth Supplemental Loan Agreement relating to the Bonds (the "Eighth Supplemental Loan Agreement"), between the Authority and the Corporation;

(ii) the Ninth Supplemental Indenture relating to the Bonds (the "Ninth Supplemental Indenture"), between the Authority and MUFG Union Bank, N.A., as trustee (the "Trustee");

(iii) the Second Amended and Restated Regulatory Agreement relating to the Bonds (the "Regulatory Agreement"), among the Corporation, the Office and the Authority;

(iv) the Contract of Insurance relating to the Series 2020A Bonds (the "2020A Contract of Insurance"), among the Corporation, the Office and the Authority;

(v) the Contract of Insurance relating to the Series 2020B Bonds (the "2020B Contract of Insurance" and, together with the 2020A Contract of Insurance, the "Contracts of Insurance"), among the Corporation, the Office and the Authority;

(vi) the preliminary official statement relating to the Bonds (the "Preliminary Official Statement"); and

(vii) the Bond Purchase Contract, including the exhibits thereto, relating to the Bonds (hereinafter collectively referred to as the "Purchase Contract"), among Piper Sandler & Co., as underwriter (the "Underwriter"), the Treasurer and the Authority, and approved by the Corporation;

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein 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 Eighth Supplemental Loan Agreement, the Ninth Supplemental Indenture, the Regulatory Agreement, the Contracts of Insurance and the Purchase Contract and by delivery thereof in the case of the Preliminary Official Statement. 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 Eighth Supplemental Loan Agreement are true and correct.

Section 5. The dated dates, maturity dates (not exceeding 40 years from the date of issue), interest rates, interest payment dates, denominations, forms, registration privileges or requirements, place or places of payment, terms of redemption, provisions governing transfer, and other terms of the Bonds, shall be as provided in the Ninth Supplemental Indenture, as finally executed.

Section 6. The Underwriter is hereby authorized to distribute a Preliminary Official Statement for the Bonds to persons who may be interested in the purchase of such Bonds offered in such issuance, it being understood that, at the discretion of the Underwriter (in consultation with the Corporation), a preliminary official statement may not be used with respect to the Bonds. The Underwriter is hereby directed to deliver the final official statement (the "Official Statement") to all actual purchasers of such Bonds.

Section 7. The Bonds, when executed pursuant to the Ninth Supplemental Indenture, 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 the direction of the Underwriter 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 Underwriter, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

Section 8. 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 they 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 Ninth Supplemental

Indenture, the Eighth Supplemental Loan Agreement, the Purchase Contract, the Regulatory Agreement, the Contracts of Insurance and the Official Statement. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation, a tax certificate and agreement and other certifications.

Section 9. The provisions of the Authority's Resolution No. 2018-09 apply to the documents and actions approved in this Resolution.

Section 10. Notwithstanding anything to the contrary in this Resolution, no documents referenced in this Resolution may be executed and delivered until the Office has indicated its willingness to insure the Bonds.

Section 11. 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 12. This Resolution shall take effect from and after the date of adoption.

Date of Adoption: ______________________

EXHIBIT A

Prior Project is the:

Acquisition, construction, rehabilitation, and remodeling of the health facilities owned and operated by the Corporation acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of certain health facilities owned and operated by the Corporation and located at 1095 Marshall Way, Placerville, California 95667; 1100 Marshall Way, Placerville, California 95667; and 3581 Palmer Drive, Cameron Park, California 95682.

New Project is the:

Acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of health facilities owned and operated by the Corporation located at 1045, 1095 and 1100 Marshall Way, Placerville, California 95667; 1000 Fowler Way, Placerville, California 95667; 3185, 3193, 3197 and 3207 Washington Street, Placerville, California 95667; 3177 and 3180 Turner Street, Placerville, California 95667; 3501 and 3581 Palmer Drive, Cameron Park, California 95682; 6425 Capitol Avenue, Diamond Springs, California 95619; 1106 – 1112, 1126 and 1128 Corker Street, Placerville, California 95667.