

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
BOND FINANCING PROGRAM
EXECUTIVE SUMMARY**

<p>Applicant: Adventist Health System/West (Adventist) One Adventist Health Way Roseville, CA 95661 Placer County</p>	<p>Amount Requested: \$115,000,000 Requested Loan Term: Up to 40 years Authority Meeting Date: December 1, 2022 Resolution Number: 449</p>																
<p>Project Site: <i>See Exhibit 1</i></p> <p>Facility Type: Acute Care Hospital/sub-acute and outpatient care</p> <p>Eligibility: Government Code Section 15432(d)(1)</p> <p>Prior Borrower: Yes (date of last Authority issue 2016)</p> <p>Obligated Group: Identified in the Background and Licensure section</p>																	
<p>Background: Adventist was established in 1980 by the merger of two smaller health systems known as Adventist Health Services, Inc., and Northwest Medical Foundation. Based in Roseville. Adventist is a 501(c)(3) nonprofit organization whose mission is to improve the quality of health care in the communities it serves by emphasizing wellness and disease prevention. Adventist includes 23 hospitals, approximately 370 clinics, 14 home care agencies, eight hospice agencies, one fully owned continuing care retirement community, and three joint venture retirement centers. Adventist serves communities in California, Hawaii, Oregon, and Washington.</p>																	
<p>Use of Proceeds: Bond proceeds will be used to finance, and/or reimburse, and/or refinance certain costs of the construction, expansion, remodeling, renovation, furnishing, equipping, and/or acquisition of certain health facilities, all owned by Adventist and/or its affiliates.</p>																	
<p>Type of Issue: Negotiated public offering, long-term interest rate period tax-exempt bonds</p> <p>Expected Credit Rating: A-/A; S&P/Fitch</p> <p>Financing Team: <i>See Exhibit 2 to identify possible Conflicts of Interest</i></p>																	
<p>Financial Overview: Adventist’s income statement appears to show increasing revenue during the review period from fiscal year (FY) 2019 to FY 2021. Adventist’s balance sheet appears to have a solid financial position with a pro-forma FY 2021 net debt service coverage ratio of 1.77x.</p>																	
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Estimated Sources of Funds:</u></th> <th style="text-align: right;"></th> <th style="text-align: left;"><u>Estimated Uses of Funds:</u></th> <th style="text-align: right;"></th> </tr> </thead> <tbody> <tr> <td>Bond proceeds</td> <td style="text-align: right;">\$115,000,000</td> <td>Project Cost</td> <td style="text-align: right;">\$115,000,000</td> </tr> <tr> <td>Borrower funds</td> <td style="text-align: right;"><u>720,150</u></td> <td>Financing costs</td> <td style="text-align: right;"><u>720,150</u></td> </tr> <tr> <td>Total Estimated Sources</td> <td style="text-align: right;"><u>\$115,720,150</u></td> <td>Total Estimated Uses</td> <td style="text-align: right;"><u>\$115,720,150</u></td> </tr> </tbody> </table>		<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>		Bond proceeds	\$115,000,000	Project Cost	\$115,000,000	Borrower funds	<u>720,150</u>	Financing costs	<u>720,150</u>	Total Estimated Sources	<u>\$115,720,150</u>	Total Estimated Uses	<u>\$115,720,150</u>
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Bond proceeds	\$115,000,000	Project Cost	\$115,000,000														
Borrower funds	<u>720,150</u>	Financing costs	<u>720,150</u>														
Total Estimated Sources	<u>\$115,720,150</u>	Total Estimated Uses	<u>\$115,720,150</u>														
<p>Due Diligence: Staff has confirmed the following documentation satisfies the California Health Facilities Financing Authority’s (Authority) requirements: Eligibility, Legal Review, and the certifications for Pass-Through Savings, Iran Contracting Act, and Community Service Obligation.</p>																	
<p>Staff Recommendation: Staff recommends the Authority approve Resolution No. 449 in an amount not to exceed \$115,000,000 for Adventist Health System/West subject to the conditions in the resolution. TAP International, Inc., the Authority’s financial analyst, and KNN Public Finance, LLC, the Authority’s municipal advisor, concur with the Authority’s staff recommendation.</p>																	

Disclaimer: Any information related to the borrower, including any data or analysis related to the borrower’s financial condition or ability to repay the financing, described in this staff report is based on information provided by the borrower and was prepared solely for members of the Authority’s Board and to satisfy certain provisions of the California Health Facilities Financing Authority Act (Gov. Code, §15430 et seq.). Prospective investors should not rely on information in this staff report and must perform their own due diligence to obtain information essential to making an informed investment decision.

STAFF SUMMARY, ANALYSIS, AND RECOMMENDATION

I. PURPOSE OF FINANCING

Adventist is requesting the Authority to issue tax-exempt bonds in an amount not to exceed \$115 million for costs of construction, expansion, remodeling, renovation, furnishing, equipping, and/or acquisition of certain health facilities. Bond proceeds will also be used to pay costs of issuance for the bonds. Concurrently with the tax-exempt financing, Adventist will independently issue approximately \$300 million to \$400 million, subject to market conditions, in taxable corporate bonds. Taxable bond proceeds will be used to redeem balances currently outstanding on its line of credit and commercial paper program and to refund existing debt. The issuance of the tax-exempt and taxable bonds will help Adventist in its mission of transforming the health experience of its communities by improving physical, mental, and spiritual health; enhancing interactions; and making care more accessible and affordable.

Project Costs \$115,000,000

Adventist plans to use funds for capital improvements across 12 of its hospital sites. Projects will include designing a new imaging suite with computerized tomography (CT) scan and magnetic resonance imaging (MRI) scan services; converting a fluoroscopy room into a C-Arm procedure room; converting an existing operating room into a new catheterization lab; expanding and/or adding operating rooms, exam rooms, and bed capacity; upgrading a nurse call system; expanding and/or upgrading various pharmacies; making improvements to a cancer service line; renovating and replacing endoscopy and fluoroscopy; and performing additional work to meet standards of the Office of Statewide Health Planning and Development 3 (now overseen by the Department of Health Care Access and Information) and Americans with Disabilities Act. Bond proceeds will also be used to purchase equipment, such as X-ray machines, CT and MRI scanners, nuclear medicine equipment, neuro equipment, operating room video equipment, sterile processing equipment, a surgical robot, lab equipment, biplane imaging system, surgery HVAC, and more.

Financing Costs¹ 720,150

Total Estimated Uses of Funds..... \$115,720,150

¹ Financing costs include the underwriter’s discount and will be paid with proceeds from the taxable bond issuance.

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 Board meeting.

After reviewing the Obligated Group's (defined below) credit profile, including its current financial profile, prior bond transactions, and considering what the market will support, Adventist; KNN Public Finance, LLC, the Authority's municipal advisor; and the underwriter have all concluded the covenants listed below should be applicable to this transaction, are consistent with covenants that have applied to the Obligated Group's prior bond transactions, and the Obligated Group's current financial situation does not suggest additional covenants should be required.

Obligated Group: Adventist acts as the representative of an Obligated Group that, upon issuance of the 2022 Bonds, will consist of Adventist and 17 affiliate members (Members), each of which operates hospitals and/or health facilities. All Members are jointly and severally liable on notes issued under the Master Indenture of Trust (Master Indenture) with respect to repayments of loan amounts relating to the Authority's bonds and other parity debt. Adventist is the borrower under the loan agreement and is bound by all covenants below. There is also a transaction test to be satisfied in connection with Members being added to or withdrawing from the Obligated Group.

The following covenants are applicable for this transaction:

Unconditional Promise to Pay. *Adventist agrees to pay the Bond Trustee all amounts required for principal, interest, redemption premium, if any, and other payments and expenses designated in the Loan Agreement. The Obligated Group guarantees all those payments under a Master Indenture Note. All Revenues² received by or on behalf of the Authority and any other amounts held in designated funds or accounts under any Bond Indenture are pledged to secure the full payment of the Bonds issued under the Bond Indenture.*

Pledge of Gross Revenues. *Each Member of the Obligated Group pledges to deposit all Gross Revenues (as defined in Master Indenture) received into a Gross Revenue Fund over which the Master Trustee has a restricted 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 Operating Assets and Current Assets other than Permitted Liens.*

² Capitalized terms are defined in the Indenture.

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

No Debt Service Reserve. *The Bonds shall not be secured by a debt service reserve fund.*

Debt Service Coverage Requirement. *The Master Indenture contains a debt service coverage requirement based on 1.10 times Maximum Annual Debt Service. A debt service coverage requirement is a ratio measuring ability to make interest and principal payments as they become due by assessing the amount of revenue available to meet long-term debt service payments. There is an Event of Default if debt service coverage ratio is below 1.0 times for two consecutive years.*

Additional Debt Limitation. *Each Obligated Group Member agrees not to incur additional Indebtedness unless authorized by various financial performance or projection measures set out in the Master Indenture.*

Limitations on Mergers, Sales or Conveyances. *Each Obligated Group Member agrees not to merge or consolidate with any other entity or sell or convey all or substantially all of its assets to any Person outside of the Obligated Group unless authorized by various limiting measures set out in the Master Indenture.*

Limitations on Disposition of Operating Assets. *Each Obligated Group Member agrees not to sell, lease, or dispose of any operating assets unless authorized by various limiting measures set out in the Master Indenture.*

Comply with SEC Rule 15c2-12. *Adventist will take action as is necessary to assist the underwriter in complying with SEC Rule 15c2-12. Adventist will contractually agree to disclose designated financial and operating information to the SEC website (EMMA) during the life of the 2022 bonds and to report designated “material events,” such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc.*

KNN Public Finance, LLC, the Authority’s municipal advisor, has reviewed the bond documents associated with this financing package and found these documents and proposed guidelines to be acceptable.

III. FINANCIAL STATEMENTS AND ANALYSIS

Adventist Health System/West
Consolidated Statement of Operations and Changes in Net Assets
Statement of Activities
(In millions of dollars)

	Year Ended December 31,		
	2021	2020	2019
Revenues and Support			
Patient service revenue	\$ 4,660	\$ 4,097	\$ 4,123
Premium revenue	189	185	152
Other revenue	348	477	245
Net assets released from restrictions for operations	18	15	17
Total revenues and support	<u>5,215</u>	<u>4,774</u>	<u>4,537</u>
Expenses			
Employee compensation	2,308	2,246	2,092
Professional fees	782	587	555
Supplies	785	641	627
Purchased services and other	1,231	1,105	1,100
Interest	65	68	66
Depreciation and amortization	193	201	192
Total expenses	<u>5,364</u>	<u>4,848</u>	<u>4,632</u>
Loss from operations	(149)	(74)	(95)
Nonoperating income			
Investment income	163	178	85
Loss on acquisition and divestitures	-	(1)	160
Other nonoperating (loss) gain	(5)	6	(5)
Total nonoperating income	<u>158</u>	<u>183</u>	<u>240</u>
Excess of revenues over expenses	9	109	145
(Excess) deficit of revenues over expenses from noncontrolling interests	<u>(1)</u>	<u>2</u>	<u>(1)</u>
Excess of revenues over expenses from controlling interests	8	111	144
Net assets without donor restrictions			
Controlling			
Excess of revenues over expenses from controlling interests	8	111	144
Net change in unrealized gains and losses on other-than-trading securities	(10)	7	14
Donated property and equipment	-	1	-
Net assets released from restrictions for capital additions	5	7	19
Other	1	-	-
Increase in net assets without donor restrictions - controlling	<u>4</u>	<u>126</u>	<u>177</u>
Noncontrolling			
Excess (deficit) of revenues over expenses from noncontrolling interests	<u>1</u>	<u>(2)</u>	<u>1</u>
Increase (decrease) in net assets without donor restrictions - noncontrolling	1	(2)	1
Net assets with donor restrictions			
Restricted gifts and grants	32	24	22
Net assets released from restrictions	(23)	(22)	(36)
Other donor-restricted activity	-	1	2
Increase in net assets with donor restrictions	<u>9</u>	<u>3</u>	<u>(12)</u>
Increase in net assets	14	127	166
Net assets, beginning of year	<u>3,115</u>	<u>2,988</u>	<u>2,822</u>
Net assets, end of year	<u>\$ 3,129</u>	<u>\$ 3,115</u>	<u>2,988</u>

Adventist Health System/West
Statement of Financial Position
(In millions of dollars)

	As of December 31,		
	2021	2020	2019
Assets			
Cash and cash equivalents	\$ 304	\$ 261	\$ 482
Short-term investments	157	176	356
Patient accounts receivable	689	612	598
Receivables from third-party payors	379	501	394
Other current assets	227	243	182
Total current assets	1,756	1,793	2,012
Noncurrent investments	2,291	2,236	1,459
Other assets	432	413	426
Property and equipment, net	2,185	2,302	2,336
Total assets	\$ 6,664	\$ 6,744	\$ 6,233
Liabilities and Net Assets			
Accounts payable	\$ 370	\$ 265	\$ 296
Accrued compensation and related payables	325	306	283
Liabilities to third-party payors	209	232	35
Other current liabilities	242	140	122
Short-term financing	30	60	-
Current maturities of long-term debt	36	20	58
Total current liabilities	1,212	1,023	794
Long-term debt, net of current maturities	2,000	2,036	2,114
Other noncurrent liabilities	323	570	337
Total liabilities	3,535	3,629	3,245
Net assets without donor restrictions			
Controlling	3,044	3,040	2,914
Noncontrolling	15	14	16
Net assets with donor restrictions	70	61	58
Total net assets	3,129	3,115	2,988
Total Liabilities and net assets	\$ 6,664	\$ 6,744	\$ 6,233

	Proforma^(a)			
	FYE 12/31/2021	2021	2020	2019
Debt Service Coverage - Operating (x)	0.72	1.28	1.55	1.52
Debt Service Coverage - Net (x)	1.77	3.13	3.02	3.76
Debt to Unrestricted Net Assets (x)	0.81	0.67	0.67	0.74
Margin (%)		(2.86)	(1.55)	(2.09)
Current Ratio (x)		1.45	1.75	2.53

^(a) Recalculates FY 2021 audited results to include the impact of this proposed financing.

Financial Discussion

Adventist's income statement appears to show increasing revenue during the review period from FY 2019 to FY 2021.

Adventist's total revenues and support increased by 14.9% from approximately \$4.5 billion in FY 2019 to approximately \$5.2 billion in FY 2021, driven primarily by patient service revenue. Patient service revenue increased from approximately \$4.1 billion in FY 2019 to \$4.7 billion for FY 2021. According to Adventist's management, the increase in patient service revenue is primarily due to growth in patient volume and new affiliations with Adventist Health Delano and Adventist Health Mendocino Coast.

As operating expenses exceeded revenues during each year of the review period, Adventist's operating margins were negative each year; from -2.1%, -1.6%, and -2.9% for FY 2019, FY 2020, and FY 2021, respectively. Total operating expenses increased by 15.8% from approximately \$4.6 billion in FY 2019 to approximately \$5.4 billion in FY 2021. Adventist's management explains the increase in total operating expenses was due to increases in employee compensation and contract labor from the COVID-19 pandemic. Adventist's management anticipates improving margins going forward to address financial performance with a focus on several strategic areas, including growth, revenue optimization, labor and benefits, length of stay, administrative cost structure, purchased services, supplies, and professional fees.

Adventist experienced impacts to both revenue and expenses due to the COVID-19 pandemic. Clinic visits and elective surgical volumes dropped as patients were directed or chose to stay home to avoid unnecessary exposure and labor costs increased as a result of shortages in nurses and support teams. To offset the financial impact of the COVID-19 pandemic, Adventist received funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan in the amounts of \$288 million and \$174 million in FY 2020 and FY 2021, respectively. Adventist has fully recognized these funds as other revenue as the terms and conditions of these grants have been met.

Adventist's balance sheet appears to have a solid financial position with a pro-forma FY 2021 net debt service coverage ratio of 1.77x.

Throughout the review period, Adventist maintained a consistently solid net debt service coverage ratio of 3.76x in FY 2019, 3.02x in FY 2020, and 3.13x in FY 2021. With the proposed new taxable and tax-exempt bond financing, the pro-forma FY 2021 net debt service coverage ratio continues to be solid at 1.77x.

Cash and cash equivalents decreased from \$482 million in FY 2019 to about \$261 million in FY 2020 while short-term investments decreased from \$356 million to \$176 million over the same time period. Adventist's management attributes this to an investment portfolio reallocation from cash and short-term investments to long-term investments, which includes investments such as fixed income and equity mutual funds along with individual marketable securities. Non-current investments increased from \$1.5 billion in FY 2019 to \$2.2 billion in FY 2020

Over the review period, Adventist's balance sheet increased with total assets increasing from approximately \$6.2 billion in FY 2019 to just about \$6.7 billion in FY 2021, an increase of approximately 6.9%. Adventist's management attributes the increase in total assets to increases in unrealized gains on investments of \$214 million and Medicare advance payments and deferred payroll taxes under the CARES act of \$240 million.

IV. DUE DILIGENCE

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

- **Government Code section 15438.5(a) of the California Health Facilities Financing Authority Act (Gov. Code, § 15430 et seq.) (Act) (Pass-Through Savings):** Adventist properly completed and submitted the Pass-Through Savings Certification.
- **Government Code section 15459.1 of the Act (Community Service Obligation):** Adventist properly completed and submitted the Community Service Obligation certification and indicated that Medi-Cal and Medicare patients are accepted. Below is a link to Adventist's most recent Annual Report regarding community service:
<https://www.adventisthealth.org/pages/about-us/community-health-needs-assessments.aspx>
- **Compliance with Government Code section 15455(b) of the Act (California Environmental Quality Act (Pub. Resources Code, § 21000 et seq.)):** Adventist properly submitted relevant documentation addressing the California Environmental Quality Act.
- **Religious Affiliation Due Diligence:** Adventist properly completed and submitted relevant documentation to meet the religious affiliation due diligence requirement.
- **Legal Review:** Adventist properly completed and submitted relevant documentation for the Authority's Legal Status Questionnaire.
- **Iran Contracting Act Certificate:** The underwriters properly completed and submitted the Iran Contracting Act Certificate to the Authority.

V. OUTSTANDING DEBT

As of December 31, 2021, the Obligated Group's outstanding long-term debt totaled approximately \$2.0 billion, of which approximately \$592.6 million (29.6%) was comprised of debt issued through the Authority.

Following this proposed financing of up to \$115 million in tax-exempt bonds issued through the Authority and up to \$400 million in taxable corporate bonds, the Obligated Group's total outstanding debt will increase to approximately \$2.5 billion, with approximately \$707.6 million (28.3%) issued through the Authority.

VI. UTILIZATION STATISTICS

Fiscal Year Ending December 31,

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Discharges	128,128	122,794	134,458
Patient days	688,221	588,519	586,048
Observation stays	19,480	18,618	22,568
Outpatient procedures	3,977,724	3,554,932	3,798,691
Emergency department visits	682,364	638,246	757,362
Inpatient surgeries	22,539	21,953	25,892
Outpatient surgeries	51,327	44,384	51,363
Capitated lives	224,912	217,768	196,560
Average length of stay (in days)	5.4	4.8	4.4

VII. BACKGROUND AND LICENSURE

Background

The health care system led by Adventist, doing business as Adventist Health, has a history with a commitment to delivering quality health care. This commitment stems back to 1866 with dedicated health care providers who promoted proper nutrition, exercise, and proper sanitation.

Adventist, headquartered in Roseville, is a nonprofit corporation created in 1980 when two smaller health systems, Adventist Health Services, Inc., and Northwest Medical Foundation, merged with the purpose to coordinate the management of health care facilities in the Western United States. Adventist currently serves communities in California, Hawaii, Oregon, and Washington with facilities ranging in size from 25 to 515 licensed acute care beds plus other bed categories, such as skilled nursing, ambulatory residential, and retirement housing. Adventist includes approximately 37,000 associates, including physicians, allied health professionals, and support services. Adventist owns or operates 23 hospitals, approximately 370 clinics (physician clinics, hospital-based clinics, and rural health clinics), 14 home care agencies, eight hospice agencies, one fully owned continuing care retirement community, and three joint-venture retirement centers.

Obligated Group

The Obligated Group consists of Adventist and 17 affiliate nonprofit hospital corporations, 14 of which own and operate facilities in California, two in Oregon, and one in Hawaii. The Obligated Group is the central financing and credit vehicle for Adventist. The members of the Obligated Group are jointly and severally liable for substantially all of Adventist's debt under the terms of the Master Indenture.

<u>Obligated Group Hospital Name</u>	<u>Location</u>
Adventist Health Bakersfield	Bakersfield, CA
Adventist Health Clear Lake	Clearlake, CA
Adventist Health Delano	Delano, CA
Adventist Health Hanford	Hanford, CA
Adventist Health Feather River	Paradise, CA
Adventist Health Glendale	Glendale, CA
Adventist Health Howard Memorial	Willits, CA
Adventist Health Lodi Memorial	Lodi, CA
Adventist Health Reedley	Reedley, CA
Adventist Health Simi Valley	Simi Valley, CA
Adventist Health Sonora	Sonora, CA
Adventist Health Tehachapi Valley	Tehachapi, CA
Adventist Health Ukiah Valley	Ukiah, CA
Adventist Health White Memorial	Los Angeles, CA
Adventist Health Castle	Kailua, HI
Adventist Health Portland	Portland, OR
Adventist Health Tillamook	Tillamook, OR

Licensure and Memberships

Each of Adventist's California hospital facilities is accredited by The Joint Commission, and each hospital and skilled nursing facility is appropriately licensed by applicable California state licensing agencies and is fully certified for Medicare and Medicaid reimbursement.

STAFF RECOMMENDATION

Staff recommends the Authority approve Resolution No. 449 in an amount not to exceed \$115,000,000 for Adventist subject to the conditions in the resolution. TAP International, Inc., the Authority's financial analyst, and KNN Public Finance, LLC, the Authority's municipal advisor, concur with the Authority's staff recommendations.

EXHIBIT 1
PROJECT SITES

- One Adventist Health Way, Roseville, CA 95661
- 2615 and 2620 Chester Avenue, Bakersfield, CA 93301
- 15630 18th Avenue, Clearlake, CA 95422
- 487 Main Street, Lakeport, CA 95453
- 1401 Garces Highway, Delano, CA 93215
- 1509 Wilson Terrace, Glendale, CA 91206
- 115 Mall Drive, Hanford, CA 93230
- 1141 Rose Avenue, Selma, CA 93662
- 975 S. Fairmont Avenue, Lodi, CA 95240
- 1200 W. Vine Street, Lodi, CA 95240
- 2407 W. Vine Street, Lodi, CA 95242
- 725 and 726 4th Street, Marysville, CA 95901
- 724 5th Street, Marysville, CA 95901
- 1000 Greenley Road, Sonora, CA 95370
- 23 N. Main St. Angels Camp, CA 95222
- 1100 Magellan Drive, Tehachapi, CA 93561
- 869 N. Cherry Street, Tulare, CA 93274
- 275 Hospital Drive, Ukiah, CA 95482
- 1720 E. Cesar E Chavez Avenue, Los Angeles, CA 90033
- 700 River Drive, Fort Bragg, CA 95437
- Located generally at E. Lacey Boulevard & Highway 43, Hanford, CA 93230
- Located generally at Temperence & McKinley, McLane, CA 93727
- Located generally at Visalia Road & Farmerville Boulevard, Farmersville, CA 93223
- Located generally at Burnett Road & 99 Freeway, Tipton, CA 93272
- Located generally at Road 72 & Avenue 310, Goshen, CA 93291

EXHIBIT 2

FINANCING TEAM

Borrower: Adventist Health System/West

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, Inc.

Borrower's Counsel: Katten Muchin Rosenman LLP

Bond Counsel: Orrick, Herrington & Sutcliffe LLP

Senior Managing Underwriter: RBC Capital Markets, LLC

Co-Managing Underwriters: J.P. Morgan Securities LLC
BofA Securities, Inc.

Underwriters' Counsel: Norton Rose Fulbright US LLP

Bond Trustee: US Bank Trust Company, National Association

Bond Trustee's Counsel: Dorsey & Whitney LLP

Master Trustee: The Bank of New York Mellon Trust Company, N.A.

Master Trustee's Counsel: The Law Office of Samuel D. Waldman

Rating Agencies: Standard & Poor's Financial Services, LLC
Fitch Ratings, Inc.

Auditor: Ernst & Young LLP

RESOLUTION NO. 449

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING
AUTHORITY AUTHORIZING THE ISSUANCE OF REVENUE BONDS
TO FINANCE AND/OR REFINANCE PROJECTS AT THE HEALTH FACILITIES OF
ADVENTIST HEALTH SYSTEM/WEST AND CERTAIN OF ITS AFFILIATES

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 (Gov. Code, § 15430 et seq.) (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; and

WHEREAS, Adventist Health System/West (the “Borrower”) is affiliated with, among others, Adventist Health Clearlake Hospital, Inc., d/b/a Adventist Health Clear Lake (“AH Clearlake”), Adventist Health Delano (“AH Delano”), Adventist Health Medical Center Tehachapi d/b/a Adventist Health Tehachapi Valley (“AH Tehachapi”), Adventist Health Tulare (“AH Tulare”), Glendale Adventist Medical Center d/b/a Adventist Health Glendale (“AH Glendale”), Hanford Community Hospital d/b/a Adventist Health Hanford (“AH Hanford”), Lodi Memorial Hospital Association, Inc., d/b/a Adventist Health Lodi Memorial (“AH Lodi”), Rideout Memorial Hospital d/b/a Adventist Health and Rideout (“AH Rideout”), San Joaquin Community Hospital d/b/a Adventist Health Bakersfield (“AH Bakersfield”), Sonora Community Hospital d/b/a Adventist Health Sonora (“AH Sonora”), Ukiah Adventist Hospital d/b/a Adventist Health Ukiah Valley (“AH Ukiah”), White Memorial Medical Center d/b/a Adventist Health White Memorial (“AH White Memorial”), Adventist Health Mendocino Coast (“AH Mendocino Coast”), Reedley Community Hospital d/b/a Adventist Health Reedley (“AH Reedley”), each of which is a nonprofit religious corporation duly organized and existing under the laws of the State of California and each of which owns and operates health care facilities in the State of California; and

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 (i) reimburse certain costs of and/or finance and/or refinance the construction, expansion, remodeling, renovation, furnishing, equipping, and/or acquisition of certain health facilities of the Corporation and certain of its affiliates, as more particularly described under the caption the “The Project” in Exhibit A hereto (the “Project”) and (ii) pay costs of issuance of the Bonds (as defined below); and

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 Project has complied with the California Environmental Quality Act (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 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 (Adventist Health System/West), Series 2022A” (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 bond 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 third 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 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 supported by one or more liquidity facilities.

SECTION 3. The proposed forms of the following documents:

- (i) one or more Loan Agreements relating to the Bonds (collectively, the “Loan Agreement”), each between the Authority and the Borrower,
- (ii) one or more Bond Indentures relating to the Bonds (collectively, the “Bond Indenture”), each between the Authority and U.S. Bank Trust Company, National Association, as bond trustee (the “Bond Trustee”),
- (iii) one or more Bond Purchase Agreements, including the exhibits thereto, relating to the Bonds (collectively, the “Purchase Agreement”), each among RBC Capital Markets, LLC, on behalf of itself and any other underwriters named in the Bond Purchase Agreement, as finally executed (the “Underwriter”), the Treasurer and the Authority, and approved by the Borrower,
- (iv) one or more preliminary official statements relating to the Bonds (the “Preliminary Official Statement”),

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 Agreement, the Bond Indenture, and the Purchase Agreement 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 Loan Agreement are true and correct.

SECTION 5. The dated dates, maturity dates (not exceeding 40 years from the respective date of issue), interest rates, interest rate modes, 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 Underwriter is hereby authorized to distribute the 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 Borrower), a preliminary official statement shall not be used with respect to any series of 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, shall be delivered to the Bond Trustee for authentication by the Bond Trustee. The Bond Trustee is hereby requested and directed to authenticate the Bonds by executing the Bond Trustee's Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to or upon 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 Bond Indenture, Loan Agreement, Purchase Agreement, and Official Statement. 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 of any series.

SECTION 9. The provisions of the Authority's Resolution No. 2021-01, or a superseding resolution subsequently adopted by the Authority, apply to the documents and actions approved in this Resolution.

SECTION 10. 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 11. This Resolution shall take effect from and after the date of adoption.

Date of Adoption: _____

EXHIBIT A

THE PROJECT

The “Project” consists of the construction, expansion, remodeling, renovation, furnishing, equipping, and/or acquisition of certain health facilities all owned or to be owned by the Borrower and/or one or more affiliates of the Borrower, as follows:

- Borrower, and located generally at One Adventist Health Way, Roseville, CA 95661;
- AH Bakersfield, and located generally at 2615 and 2620 Chester Ave, Bakersfield, CA 93301;
- AH Clearlake, and located generally at 15630 18th Ave, Clearlake, CA 95422;
- AH Clearlake, and located generally at 487 Main St., Lakeport, CA 95453;
- AH Delano, and located generally at 1401 Garces Hwy, Delano, CA 93215;
- AH Glendale, and located generally at 1509 Wilson Terrace, Glendale, CA 91206;
- AH Hanford, and located generally at 1141 Rose Ave, Selma, CA 93662;
- AH Hanford, and located generally at 115 Mall Drive, Hanford, CA 93230;
- AH Lodi, and located generally at 975 S. Fairmont Ave., and 1200 W. Vine Street, Lodi, CA 95240;
- AH Lodi, and located generally at 2407 W. Vine Street, Lodi, CA 95242;
- AH Mendocino Coast, and located generally at 700 River Drive, Fort Bragg, CA 95437.
- AH Reedley, and located generally at E. Lacey Blvd & Hwy 43, Hanford, CA 93230;
- AH Reedley, and located generally at Temperence & Mckinley, McLane, CA 93727;
- AH Reedley, and located generally at Visalia Rd & Farmerville Blvd, Farmersville, CA 93223;
- AH Reedley, and located generally at Burnett Rd & 99 Fwy, Tipton, CA 93272;
- AH Reedley, and located generally at Rd 72 & Ave 310, Goshen, CA 93291;
- AH Rideout, and located generally at 725 and 726 4th Street and 724 5th Street, Marysville, CA 95901;
- AH Sonora, and located generally at 1000 Greenley Rd, Sonora, CA 95370;
- AH Sonora, and located generally at 23 N. Main Street, Angels Camp, CA 95222;
- AH Tehachapi, and located generally at 1100 Magellan Dr, Tehachapi, CA 93561;
- AH Tulare, and located generally at 869 N. Cherry Street, Tulare, CA 93274;
- AH Ukiah, and located generally at 275 Hospital Drive, Ukiah, CA 95482; and
- AH White Memorial, and located generally at 1720 E Cesar E Chavez Ave, Los Angeles, CA 90033.