CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	St. Joseph Health System and Affiliates (“SJHS”) 500 South Main St., Suite 100 Orange, CA 92868 Orange County	**Amount Requested:** **Requested Loan Term:** **Authority Meeting Date:** **Resolution Number:**	$305,000,000 up to 40 years June 30, 2011 365

Project Sites: See Exhibit 1

Facility Types: Acute care, skilled nursing, psychiatric, substance abuse, rehabilitation, outpatient services, home health, and hospice.

Prior Borrower: Yes (date of last CHFFA issue, 2009).

Obligated Group: SJHS’ Obligated Group (“Obligated Group”) is comprised of SJHS, ten other affiliated California nonprofit public benefit corporations, and four other affiliated Texas nonprofit corporations.

Background: SJHS, a nonprofit public benefit corporation headquartered in Orange, California, was incorporated in 1981 to become the sole corporate member and “parent” organization of the various affiliated health care entities. The Obligated Group operates in the following regions: Southern California; Northern California; and West Texas/Eastern New Mexico. SJHS manages and operates 14 acute care hospitals with 3,685 licensed beds that provide acute care, skilled nursing, psychiatric, outpatient services, home health, hospice and other health care related services. The Obligated Group’s total number of outpatient visits is approximately 2.1 million for FY 2010.

Use of Proceeds: The bond proceeds will be used for the purpose of financing, including through reimbursement of previous expenditures, certain construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of various health facilities.

Type of Issue:	Negotiated public offering with variable rate bonds (each Series of the Bonds will be issued in minimum denominations of $100,000 and multiples of $5,000 in excess thereof).
Credit Enhancement:	Each Series of the variable rate bonds will be secured by separate irrevocable, transferable, direct pay letters of credit with Wells Fargo Bank as leading the potential syndicate of banks including: US Bank, Union Bank, and/or Northern Trust.
Expected Credit Rating:	AA-/ AA-/ A1; S&P/ Fitch/ Moody’s
Short-Term Credit Rating:	Wells Fargo, US Bank, & Northern Trust: A-1+/F1+/P-1; S&P/ Fitch/ Moody’s Union Bank: A-1/F1/P-1; S&P/ Fitch/ Moody’s
Financing Team:	*See Exhibit 2 to identify possible conflicts of interest*

Financial Overview: The Obligated Group’s income statement appears to exhibit improved operating results during the review period FY 2008 to FY 2010 with continued revenue growth as well as improved operating margins. The Obligated Group appears to have a solid financial position with a proforma debt service coverage ratio of 3.15x.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
Par amount of bonds	$ 305,000,000	Project fund	$ 300,000,000
		Financing costs	5,000,000
Total Estimated Sources	$ 305,000,000	**Total Estimated Uses**	$ 305,000,000

Due Diligence: Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, Savings Pass Through, Seismic, and CEQA documentation. All documentation satisfies the Authority’s requirements.

Staff Recommendation: Staff recommends the Authority approve Resolution Number 365 in an amount not to exceed $305,000,000 subject to the conditions in the resolution, including a bond rating of at least investment grade by a nationally recognized rating agency. Macias Gini & O’Connell, LLP, the Authority’s financial analyst, and Public Financial Management, Inc. the Authority’s financial advisor, concur with the Authority’s staff recommendation.

I. PURPOSE OF FINANCING:

SJHS' overall strategic plan is to address the seismic compliance that is expected to be completed in FY 2013. In addition, SJHS is seeking reimbursement for various additional projects outlined in the below paragraphs. These projects will enable SJHS to optimize its facilities and meet the growing demand in medical services.

Project Fund **..** ***$300,000,000***

<u>Queen of the Valley Medical Center</u>

SJHS plans to seismically retrofit its Queen of the Valley Hospital (a 193-bed acute care hospital facility located at 1000 Trancas Street, Napa, CA 94558), construct and equip its radiology department renovations, and construct and equip a 71,000 square foot hospital building to house intensive care, surgery and laboratory services. This project will ensure that the replacement and upgradings meet seismic compliance. The project is expected to be complete in Spring 2013.

<u>St. Joseph Hospital of Eureka</u>

SJHS plans to construct and equip a 100,000 square foot medical tower to be attached to the existing hospital structure in Eureka (St. Joseph Hospital, a 189-bed acute care hospital facility located at 2700 Dolbeer Street, Eureka, CA 95501) to house existing acute care facilities. The project is expected to be complete in Winter 2011.

<u>St. Joseph Hospital Of Orange</u>

SJHS plans to reimburse for seismic retrofit activities occurring on its campus located in Orange (St. Joseph Hospital, a 525-bed acute care hospital facility with behavior facilities located at 1100 West Stewart Drive, Orange, CA 92868), as well as construction and equipment costs related to its operating room renovations. The project was substantially completed in June 2011.

<u>St. Jude Hospital, Inc.</u>

SJHS plans to seismically retrofit its St. Jude Medical Center (a 359-bed acute care hospital facility with skilled nursing and rehabilitation facilities located at 101 East Valencia Mesa Drive, Fullerton, CA 92835), construct a 216,000 square foot replacement hospital building, as well as a 14,000 square foot utility plant and a parking structure. The project is expected to complete in Fall 2014.

Financing Costs **...** ***<u>5,000,000</u>***

- *Cost of Issuance...* *$4,044,000*
- *Underwriter's discount..............................* *643,000*
- *Letter of credit fees....................................* *<u>313,000</u>*

The financing costs are preliminary estimates.

Total Estimated Uses of Funds... **<u>$305,000,000</u>**

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

SJHS is a Member of an Obligated Group which currently consists of itself (as the parent organization) and ten other affiliated California nonprofit public benefit corporations and four other affiliated Texas nonprofit corporations, each of which is jointly and severally obligated under a master trust indenture ("Master Indenture") with respect to payments on CHFFA bonds and other parity debt. SJHS is the borrower under the loan agreement with CHFFA and acts 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 in the Master Indenture limiting Members from being added to or withdrawing from the Obligated Group if the change would result in a significant reduction of the financial strength of the Obligated Group.

After reviewing SJHS' current finances, SJHS' prior bond transactions, and considering what the market will support, SJHS, Public Financial Management, Inc. and the underwriter concluded the below listed covenants are appropriate for this transaction. The team notes these covenants are consistent with covenants that have applied to SJHS' prior bond transactions and that SJHS' 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. *SJHS agrees to pay the bond trustee all amounts required for principal, interest or 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 SJHS under the Loan Agreement and payments by the Obligated Group under the master indenture obligation) 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. *While such a pledge is not being directly given in this transaction, such a pledge was given in connection with the 2009 CHFFA bond issue for SJHS. Therefore, the bondholders in this transaction will benefit from such a pledge until 2019, or until the 2009 CHFFA bonds are advance refunded prior thereto. The pledge requires that each Member of the Obligated Group 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.*

Limitation on Creation of Liens. *Each Obligated Group Member agrees not to create or suffer to exist any Lien upon its respective Property or revenues, other than Permitted Liens, as set forth in the Master Indenture.*

Limitation on Incurrence of Additional Indebtedness. *Each Obligated Group Member is subject to a restrictive set of allowable additional indebtedness that it may incur pursuant to the Master Indenture.*

Limitation on Guaranties. *Each Obligated Group Member agrees not to become liable on any Guaranty, other than with respect to the Master Indenture, unless in compliance with certain limitations in the Master Indenture.*

Debt Service Coverage Requirement. *The Master Indenture requires SJHS to maintain an Historical Debt Service Coverage Ratio of at least equal to 1.10x in each fiscal year. That ratio is defined* *as the ratio determined by dividing aggregate income available for debt service for that period by the debt service requirements for such period.*

Sale, Lease or Other Disposition of Property. *Each Obligated Group Member agrees to certain limitations set forth in the Master Indenture regarding disposition of its Property in any fiscal year.*

Consolidation, Merger Sale or Conveyance. *Each Obligated Group Member is subject to conditions and restrictions in the Master Indenture regarding merger, consolidation, sale or conveyance.*

Compliance with SEC Rule 15c2-12. *SJHS, on behalf of the Obligated Group, will take such action as is necessary to assist the underwriter in complying with SEC Rule 15c2-12. SJHS will contractually agree to disclose designated financial and operating information to the SEC web site (EMMA) during the life of the bonds and to report designated "listed events" such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc.*

Other Security. *The payment of principal, purchase price, premium and interest on the Bonds will be secured by irrevocable, direct-pay letters of credit to be issued to certain letter of credit banks in a syndication led by Wells Fargo Bank.*

Staff has reviewed the entirety of this financing package and finds it to be acceptable.

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III. FINANCIAL STATEMENTS AND ANALYSIS

St. Joseph Health System Obligated Group
Consolidated Income Statement of Operation
(in $000's)

	For the Year Ended June 30, 2010	2009	2008
Revenue and public support:			
Net patient services *	$ 3,276,635	$ 3,064,501	$ 2,910,490
Premium	128,073	115,439	110,395
Other revenue	61,097	63,637	61,325
Total revenue	3,465,805	3,243,577	3,082,210
Expenses:			
Compensation and benefits	1,559,308	1,527,733	1,437,356
Supplies and other	713,594	697,893	658,992
Professional fees and purchased services	493,177	483,275	461,775
Provision of doubtful accounts	229,715	201,458	159,046
Depreciation and amortization	179,517	159,539	146,374
Interest	94,500	91,704	90,371
Total Expenses	3,269,811	3,161,602	2,953,914
Operating income	195,994	81,975	128,296
Nonoperating (losses) gains, net	97,186	(153,046)	(51,278)
Excess (deficiency) of revenues over expenses	293,180	(71,071)	77,018
Equity transfer (to) from affiliates	23,781	(33,097)	(37,225)
Net assets released from restriction and other	(22,301)	30,867	3,678
Increase (decrease) in unrestricted net assets	294,660	(73,301)	43,471
Restricted net assets released from restriction, restricted			
Restricted contributions and other	3,688	2,006	12,424
Increase (decrease) in net assets	298,348	(71,295)	55,895
Net assets, beginning of year	1,898,090	1,969,385	1,913,490
Net assets, end of year	$ 2,196,438	$ 1,898,090	$ 1,969,385

*** Net Patient Services**

Payors Source	Percent
Government (Medicare/Medicaid)	40%
Contracted (private sponsored managed care)	41%
Others (other payors)	19%
	100%

St. Joseph Health System Obligated Group
Consolidated Balance Sheets
(in $000's)

	As of June 30,		
	2010	**2009**	**2008**
Assets			
Current assets:			
Cash and equivalents	$ 218,198	$ 160,760	$ 25,554
Short-term marketable securities	481,733	422,065	454,594
Patient account receivable	411,783	407,907	397,879
Inventories and others	89,916	101,258	117,356
Total current assets	1,201,630	1,091,990	995,383
Long-term marketable securities	543,532	495,786	582,579
Assets limited as to use			
Board Designated	122,129	105,988	121,172
Held in Trust	146,060	41,814	255,970
Total assets limited as to use	268,189	147,802	377,142
Property and equipment, net	2,090,123	2,019,196	1,828,849
Investment and other	74,651	68,667	65,144
Collateral held for swap counterparty	29,010	606	0
Notes receivable	7,236	7,840	8,968
Deferred financing costs, net	21,516	19,925	22,893
Goodwill and other tangibles, less accumulated amortization	22,057	25,442	28,337
	154,470	122,480	125,342
Total assets	$ 4,257,944	$ 3,877,254	$ 3,909,295
Liabilities and net assets			
Current liabilities:			
Account payable	$ 131,412	$ 125,707	$ 119,130
Accrued compensation and related liabilities	273,705	269,835	252,101
Accrued liabilities	96,752	124,453	114,327
Payable to third-party payors	59,093	55,371	41,088
Current maturities of long-term debt	114,750	57,256	325,199
Total current liabilities	675,712	632,622	851,845
Interest rate swaps	65,194	45,285	0
Other liabilities	59,817	51,183	68,186
Notes payable and interest due (from) to affiliates	(72,643)	(5,020)	(27,032)
Long-term debt, less current maturities	1,333,426	1,255,094	1,046,911
Total liabilities	2,061,506	1,979,164	1,939,910
Net assets	2,196,438	1,898,090	1,969,385
Total liabilities and net assets	$ 4,257,944	$ 3,877,254	$ 3,909,295

Financial Ratios:	**Proforma** (a) **FYE June 2010**	**2010**	**2009**	**2008**
Debt Service Coverage of Operating Income (x)	3.15	3.56	3.85	4.41
Debt Service Coverage of Net Income (x)	3.83	4.34	2.08	3.54
Debt to Net Assets (x)	0.80	0.66	0.69	0.70
Margin (%)		5.66	2.53	4.16
Current Ratio (x)		1.78	1.73	1.17

(a) Recalculates FYE June 2010 audited results to include the impact of this proposed financing as well as the reoffering of Lubbock Health Facilities Development Corporation ("LHFDC") variable rate refunding revenue bonds for conversion into a fixed rate maturity.

Please note, the Obligated Group's audited financial statements were analyzed in this section and found to be acceptable and consistent with the financial analysis noted for SJHS.

Financial Discussion – Statement of Activities (Obligated Group Income Statement)

The Obligated Group's income statement appears to exhibit improved operating results during the review period from FY 2008 to FY 2010 with continued revenue growth as well as improved operating margins.

The Obligated Group's operating margins improved from 4.16%, 2.53% to 5.66% in FY 2008, FY 2009 and FY 2010, respectively. Its total revenue appears to have grown 12.4% over the review period from $3.1 billion in FY 2008 to $3.5 billion in FY 2010. According to SJHS, the increase in revenue can be attributed to an increase in net patient revenues, which grew approximately 12.6% from $2.9 billion in FY 2008 to $3.3 billion in FY 2010. The increase in net patient revenue, which accounts for 95% of total revenues, appears to be mostly attributed to an increase in outpatient visits.

Particular Facts to Note:

- Outpatient visits appear to have grown 8.8% over the review period from 1.9 million in FY 2008 to 2.1 million in FY 2010. For FY 2010, the Obligated Group appeared to experience an increase in discharges and outpatient visits which SJHS attributes to the acquisition of Mission Hospital Regional Medical Center ("MHRMC"), formerly known as South Coast Medical Center, that was acquired on July 1, 2009 and a general increase across SJHS' hospitals.

- Operating income appears to have grown 52.8% from $128 million in FY 2008 to $195 million in FY 2010 which SJHS attributes to continued favorable outcomes from denial management practices (which includes organizing a new LLC to manage payer denials by identifying and globally addressing trends and standardizing best practices across the system), stricter cost control measures along with slight increases in volumes in certain markets implemented in FY 2009.

- For FY 2009, the Obligated Group appeared to have experienced a significant loss on its investment portfolio of approximately $153 million due to the general market downturn, but SJHS indicates that its investment portfolio has recovered due to the improvements in market conditions which does appear to be reflected in FY 2010 given the significant gains on investments reported of approximately $97 million.

- The Obligated Group's unaudited income statement appears to continue to exhibit improved operating results during the interim period ending March 31, 2011 with a solid 6.43% operating margin.

- SJHS has a plan in place to approach the changing landscape of healthcare reform including rethinking its care delivery, preparing for changes in reimbursement, and preparing for a dynamic competitive landscape by focusing on patient experience, quality of care, physician engagement, stewardship, as well as wellness and health improvement.

Financial Discussion – Statement of Financial Position (Obligated Group Balance Sheet)

The Obligated Group appears to have a solid financial position with a proforma debt service coverage ratio of 3.15x.

The Obligated Group's balance sheet appears to continue growing with total net assets increasing from $2.0 billion in FY 2008 to $2.2 billion in FY 2010, an increase of nearly 11.5%. SJHS attributes the increase an increase in cash, unrealized gain in investments and property and equipment. The operating debt service coverage ratio for FY 2010 appears to be a solid 3.56x, and with the proposed financing, the proforma operating debt service coverage ratio will remain solid at 3.15x.

Particular Facts to Note:

- The Obligated Group's total assets increased by nearly 8.9% from $3.9 billion in FY 2008 to $4.2 billion in FY 2010 primarily due (according to SJHS) to an increase in net patient revenue, gain in investment from improvement of market conditions, along with a net increase in property and equipment from the purchase of MHRMC in FY 2009.

- According to SJHS, other key factors that contributed to the increase in cash and investments include earnings before interest, depreciation and amortization.

- The Obligated Group appears to have a relatively low level of debt with 0.66x debt to net assets ratio. With the proposed financing, the ratio appears to become 0.80x, which suggests a slightly increased yet sustainable leverage position.

- The proforma debt service coverage ratio includes the effect of SJHS' current efforts, on or around the time of issuance of the proposed CHFFA bonds, to reoffer its $105 million Lubbock Health Facilities Development Corporation ("LHFDC") variable rate refunding revenue bonds for conversion into a fixed rate maturity. The issuance of the proposed CHFFA bonds is not contingent upon the reoffering of the LHFDC bonds, but is included in this staff report solely for the purpose of calculating the proforma debt service coverage ratio.

- The Obligated Group's unaudited statement of financial position from FY 2010 to the interim period ending March 31, 2011 appears to be solid with a 15.5% increase in net assets from $2,196,438 to $2,537,131which is consistent from prior years' trends.

IV. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Savings Pass Through)**: SJHS properly completed and submitted the "Pass-Through Savings Certification," in addition to a narrative explaining how it intends to pass through savings.

- **Section 15491.1 of the Act (Community Service Requirement)**: SJHS will complete and submit this certification and indicate whether Medi-Cal and Medicare patients are accepted at the closing of the bond deal.

- **Compliance with Seismic Regulation**s: SJHS has properly submitted a description of its compliance with seismic requirements.

- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act)**: SJHS properly submitted documentation to the Authority, where applicable, demonstrating that each proposed project has either complied with Division 13 (commencing with Section 21000) of the Public Resources Code, or is otherwise not a "project" under that division.

- **Religious Due Diligenc**e.

- **Legal Review**.

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EXHIBIT 1

PROJECT SITES

PROJECT	**PROJECT ADDRESS**
Queen of the Valley Medical Center	1000 Trancas Street, Napa, CA 94558
St. Joseph Hospital of Eureka	2700 Dolbeer Street, Eureka, CA 95501
St. Joseph Hospital of Orange	1100 West Stewart Dr., Orange, CA 92868
St. Jude Hospital, Inc.	101 E. Valencia Mesa Dr., Fullerton, CA 92835

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EXHIBIT 2

FINANCING TEAM

Trustee:	Wells Fargo Bank, N.A.
Master Trustee:	The Bank of New York Trust Company, N.A.
Rating Agency:	Standard & Poor's Fitch Ratings Moody's
Issuer's Financial Advisor:	Public Financial Management, Inc.
Issuer's Financial Analyst:	Macias Gini & O'Connell, LLP
Issuer's Counsel:	Orrick, Herrington & Sutcliffe LLP
Bond Counsel:	Sidley Austin, LLP
Underwriter:	Morgan Stanley & Co. Incorporated
Underwriter's Counsel:	Ropes & Gray, LLP
Letter of Credit Syndication Agent:	Leading: Wells Fargo Bank, Potential: US Bank, Union Bank, and/or Northern Trust
Letter of Credit Syndication Counsel:	Chapman & Cutler, LLP
Corporation Counsel:	Polsinelli Shughart, LLP
Corporation Special LOC Counsel:	Ropes & Gray, LLP
Auditor:	Ernst & Young, LLP
Remarketing Agents:	Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc.

EXHIBIT 3
OBLIGATED GROUP
UTILIZATION STATISTICS

	For the Year Ended June 30,		
	2010	**2009**	**2008**
Operated Beds (1)	2,680	2,727	2,692
Discharges (2)	139,981	138,236	142,477
Patient Days (2)	612,035	612,908	656,587
Average Length of Stay	4.4	4.4	4.6
% Occupancy Based on Operated Beds	62.6	61.6	66.7
Outpatient Visits (Including ER visits)	2,108,407	2,039,079	1,937,986

(1) Includes skilled nursing, acute psychiatric and chemical dependency beds, where appropriate.

(2) Exclude well newborns.

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EXHIBIT 4

OUTSTANDING DEBT

Date Issued	Original Amount	Amount Outstanding As of June 30, 2010 [a]	Estimated Amount Outstanding after Proposed Financing
-EXISTING LONG-TERM DEBT:			
Authority Debt:			
CSCDA Series 1999, 2000, 2007 A-F	$ 688,825,000	$ 653,729,000	$ 619,709,000
LHFDC Series 2008A	51,500,000	49,275,000	46,750,000
LHFDC Series 2008B	136,185,000	126,180,000	105,385,000
CHFFA Series 2009A	185,095,000	182,166,000	182,166,000
CHFFA Series 2009BCD [b]	236,005,000	244,481,000	244,141,000
Bank Line of Credit	80,000,000	80,000,000	80,000,000
Bank Note		39,200,000	39,200,000
Lease Financing Obligation		66,578,000	66,578,000
Capitalized Lease Obligation		11,804,000	11,804,000
- PROPOSED NEW DEBT:			
CHFFA Series 2011			**305,000,000**
- TOTAL DEBT		**$ 1,453,413,000**	**$ 1,700,733,000**

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

(b) The amount outstanding as of June 30, 2010 included amortized premium.

EXHIBIT 5

BACKGROUND, GOVERNANCE AND LICENSURE

Background

SJHS, a California nonprofit public benefit corporation headquartered in Orange, California, was incorporated in 1981, by its Roman Catholic order sponsor, the Congregation of the Sisters of St. Joseph of Orange (the "St. Joseph Congregation"), to become the sole corporate member and "parent" organization of various corporations operating the St. Joseph Congregation's hospitals and other affiliated healthcare entities. SJHS is a member of an Obligated Group which currently consists of itself (as the parent organization) and ten other affiliated California nonprofit public benefit corporations and four other affiliated Texas nonprofit corporations.

SJHS provides integrated strategic leadership and various centralized management functions for the fourteen acute care hospitals affiliates with 3,685 licensed acute beds, skilled nursing, psychiatric, outpatient services, home health, and hospice.

SJHS is the sole corporate member of each of the other Obligated Group, except (i) SRM Alliance Hospital Services, doing business as Petaluma Valley Hospital, whose sole corporate member is Santa Rosa Memorial Hospital, (ii) Covenant Health System ("CHS"), whose corporate members are Lubbock Methodist Hospital System and the Health System, (iii) the Obligated Group located in Texas (other than CHS) whose sole corporate members are Santa Rosa Memorial Hospital, Queen of the Valley Hospital of Napa and St. Joseph of Eureka.

Obligated Group

The Obligated Group consists of the SJHS and the fourteen Obligated Group members operating in the following regions: Southern California; Northern California; and West Texas/Eastern New Mexico. SJHS and the other Obligated Group members are jointly and severally obligors and guarantors of the Obligations issued under the Master Indenture.

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St. Joseph Health System

Obligated Group Members	Location
Southern California	
St. Joseph Health System	Orange, CA
St. Joseph Hospital of Orange	Orange, CA
St. Jude Hospital, Inc	Fullerton, CA
Mission Hospital Regional Medical Center	Mission Viejo, CA
St. Mary Medical Center	Apple Valley, CA
Northern California Region	
Queen of the Valley Medical Center	Napa, CA
Santa Rosa Memorial Hospital	Santa Rosa, CA
SRM Alliance Hospital Services	Petaluma, CA
St. Joseph Hospital of Eureka	Eureka, CA
Redwood Memorial Hospital of Fortuna	Fortuna, CA
St. Joseph Home Care Network	Rohnert Park, CA
West Texas/Eastern New Mexico Region [(a)]	
Covenant Health System, dba Covenant Medical Center	Lubbock, TX
Methodist Children's Hospital	Lubbock, TX
Methodist Hospital Levelland	Levelland, TX
Methodist Hospital Plainview	Plainview, TX

[(a)] Although Texas is part of the Obligated Group, they will not be receiving proceeds from this financing.

Corporate Governance

The Article of Incorporation and Bylaws of the SJHS provide that its powers shall be exercised, its properties controlled and its affairs conducted by a Board of Trustees.

Licensure and Memberships

SJHS' California patient care facilities are licensed by the California Department of Public Health to the extent required by law and are certified to participate in Medicare and Medi-Cal programs.