CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Memorial Health Services ("MHS") 17360 Brookhurst Street Fountain Valley, CA 92708 Orange County	**Amount Requested:** **Requested Loan Term:** **Authority Meeting Date:** **Resolution Number:**	$315,000,000 Up to 40 years March 29, 2012 377

Project Sites: Please see Exhibit 1

Facility Type/Eligibility: General Acute Care Hospital pursuant to GC 15432(d)1

Prior Borrower: Yes (date of last bond issuance - January 1994)

Obligated Group: Please see Exhibit 5

Background: Memorial Health Services, a California not-for-profit public benefit corporation, was organized in 1937 to provide community hospital services in Southern California. The health care activities of its affiliates date back as far as 1907. MHS is the parent corporation of a multi-hospital, multi-discipline health care system headquartered in Fountain Valley, California, and provides coordinated management for the delivery of health care. In FY 2011, MHS had 67,828 patient admissions and 302,699 patient days.

Use of Proceeds: Bond proceeds will be used to refund the CSCDA Series 2003A Bonds for an estimated savings of $22.8 million, for seismic upgrades, and to implement system-wide information technology upgrades, which includes various system replacements and developments.

Type of Issue: Negotiated public offering of fixed rate bonds (Minimum $5,000 denominations)

Expected Credit Ratings: AA-/ AA-; Standard & Poor's/ Fitch

Financing Team: *Please see Exhibit 2 to identify possible conflicts of interest*

Financial Overview: MHS' income statement appears to demonstrate increasing revenues over the last three fiscal years. Additionally, MHS appears to exhibit a solid financial position with an operating proforma debt service coverage ratio of 5.76x.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
Bond Proceeds	$ 315,000,000	Refunding CSCDA 2003A Bonds	$ 200,000,000
		Project Fund	110,000,000
		Financing Costs	5,000,000
Total Estimated Sources	$ 315,000,000	**Total Estimated Uses**	$ 315,000,000

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

Staff Recommendation: Staff recommends the Authority approve Resolution Number 377 in an amount not to exceed $315,000,000 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:

MHS' overall strategic plan is to capture an estimated debt service savings of approximately $22.8 million with the refunding of existing debt (California Statewide Communities Development Authority Series 2003A Bonds), address seismic compliance issues to meet government codes, and to become more efficient with the technology upgrades.

Refunding ***$200,000,000***

California Statewide Communities Development Authority ("CSCDA") Health Facility Revenue Bonds Series 2003A
MHS plans to use bond proceeds to refund the CSCDA Health Facility Revenue Bonds Series 2003A, which MHS used to finance and reimburse itself for the purchase of certain equipment and facilities and certain capital projects, including refunding the variable rate Series 1996 Certificates of Participation issued through CSCDA.

Project Fund ***110,000,000***

MHS plans to use bond proceeds to seismically retrofit the main tower at Long Beach Memorial Medical Center to bring it up to government code requirements and to replace outdated technology, which would allow MHS to become more efficient. The seismic retrofit project is estimated to cost $52 million and is expected to take 30 to 36 months to complete. The result of this project will enable the use of the main tower until 2030. MHS will also implement system-wide information technology upgrades, which includes various system replacements and developments. The estimated timeline for implementation is 36 months and the upgrades are expected to cost approximately $58 million.

Estimated Financing Costs* ***5,000,000***

- *Underwriter's discount*.................................... *$2,500,000*
- *Cost of Issuance* *2,500,000*

* Preliminary and subject to change

Total Estimated Uses of Funds **$315,000,000**

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

OBLIGATED GROUP

Memorial Health Services ("MHS") and its affiliates – Long Beach Memorial Medical Center, Saddleback Memorial Medical Center and Orange Coast Memorial Medical Center (collectively, with MHS, the "Obligated Group") are each California nonprofit public benefit corporations obligated under a Master Trust Indenture, dated as of March 1, 1984 and further amended to date (the "Master Indenture"). Under the Master Indenture, the Obligated Group will be obligated with respect to payments on the Series 2012A Bonds (the "Bonds") proposed to be issued by the Authority, as well as on other parity debt secured by the Master Indenture. MHS is the borrower under the loan agreement and is bound, along with the other members of the Obligated Group, by the Master Indenture covenants described below.

In connection with the issuance of the Bonds, there will be a Bond Indenture executed by the Authority and the bond trustee, and a Loan Agreement executed by the Authority and MHS. MHS will also deliver an Obligation (like a promissory note), pursuant to the Master Indenture, to the bond trustee to secure under the Master Indenture the repayment of the Bonds required by the loan agreement. The members of the Obligated Group are jointly obligated on Obligations delivered pursuant to the Master Indenture. The covenants of the Master Indenture will be enforceable by the bond trustee on behalf of the holders of the Bonds.

The Master Indenture sets forth certain conditions that allow for members to be added to, or withdraw from, the Obligated Group. For example, such addition/ withdrawal shall not cause any Obligated Group defaults under the Master Indenture or adversely affect the tax-exempt status of the Obligated Group's outstanding bonds. Any new members would need to agree to comply with all Master Indenture covenants, including payment of all Obligations then, or to be in the future, outstanding.

APPLICABLE COVENANTS

Unconditional Obligation to Pay. *Under the Loan Agreement, MHS agrees to pay the bond trustee all amounts required to be paid for principal, interest or redemption premium, if any, on the Bonds, and for other payments and expenses designated in the Loan Agreement. The Obligation issued under the Master Indenture guarantees such payments by the Obligated Group. All Revenues (which will include payments under the Loan Agreement and payments by the Obligated Group on the 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 issued under the Bond Indenture.*

Pledge of Gross Revenues. *Each member of the Obligated Group pledges to deposit all of its revenues, income, receipts and money received into a Gross Revenue Fund in which the master trustee under the Master Indenture will be granted a security interest. If a payment delinquency occurs on an Obligation issued under the Master Indenture, the Gross Revenue Fund will be transferred to the master trustee who will then make payments therefrom for the benefit of Obligation holders, including the bond trustee for the Bonds.*

Limitation on Creation of Liens. *Each member of the Obligated Group agrees that it will not create or suffer to be created or exist any Lien upon Property (which includes Gross Revenues) other than Permitted Liens. As defined in the Master Indenture, Permitted Liens consist of a restrictive set of allowable liens and encumbrances that may be incurred under the Master Indenture.*

No Debt Service Reserve. *There will not be a debt service reserve fund established under the Bond Indenture for the Bonds.*

Limitations on Indebtedness. *The Master Indenture sets forth specific financial measures for the amount of Indebtedness that may be incurred by the Obligated Group, but accepts therefrom certain indebtedness such as Non-Recourse Indebtedness.*

Limitations on Sale, Lease or Other Disposition of Property. *Each member of the Obligated Group agrees not to sell, lease or otherwise dispose of Property (real, personal, tangible or intangible) in any calendar year unless certain financial tests are met, although there are a list of exceptions set forth.*

Limitations on Consolidation, Sale, Merger or Conveyance. *The Master Indenture sets forth specific measures under which the Obligated Group may merge/ consolidate with, or sell/convey to, another entity. Specifically, the payment of Obligations and compliance with Master Indenture covenants must not be adversely affected by any such occurrence.*

Compliance with Rule 15c2-12. *MHS will undertake such action as is necessary to assist the Underwriters in complying with SEC Rule 15c2-12. Specifically, MHS will agree to file with the Municipal Securities Rulemaking Board certain financial and operating information during the life of the Bonds, and to report certain "material events" such as payment delinquencies, ratings downgrades, redemptions, etc.*

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

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III. FINANCIAL STATEMENTS AND ANALYSIS:

Memorial Health Services Obligated Group
Statement of Activities
(In thousands)

	As of June 30,		
	2011	**2010**	**2009**
Unrestricted operating revenues and other support			
Net patient service revenues	$ 1,485,970	$ 1,210,907	$ 1,149,773
Capitation premium revenues	144,517	164,009	171,029
Other operating revenues	92,638	88,232	82,784
Net assets released from restrictions	55	10	-
Total unrestricted operating revenues and other support	1,723,180	1,463,158	1,403,586
Operating expenses:			
Salaries, wages and benefits	728,605	710,219	680,466
Medical and other supplies	234,490	229,612	230,124
Purchased services and other	353,499	244,163	231,797
Capitation claims expense	56,730	71,629	68,800
Provision for bad debts	99,691	48,573	74,411
Depreciation and amortization	65,523	59,865	52,014
Total operating expenses	1,538,538	1,364,061	1,337,612
Excess of operating revenues over operating expenses	184,642	99,097	65,974
Nonoperating revenues and expenses			
Investment income	27,144	21,667	12,085
Interest expense	(7,216)	(9,612)	(13,161)
Change in fair value of derivatives	149	3,253	(2,663)
Gain or (loss) on sale of assets	(109)	-	-
Other nonoperating revenues	9,130	-	-
Excess of revenues over expenses	213,740	114,405	62,235
Unrealized gains on investments	66,609	9,971	(37,872)
Transfers	10,858	22,212	2,004
Change in postretirement benefit liability	-	(886)	(1,746)
Net assets released from restrictions for the acquisition of property and equipment	3,457	721	23,349
Other changes in unrestricted net assets	(1,178)	1,243	-
Increase in unrestricted net assets	$ 293,486	$ 147,666	$ 47,970
Unrestricted net assets at beginning of year	914,704	767,038	719,068
Unrestricted net assets at end of year	$ 1,208,190	$ 914,704	$ 767,038

Net Patient Revenue*	**Percent**
Medi-Cal	23.2
Medicare	7.9
Capitated Manged Care	6.7
Non-Capitated Managed Care	49.9
All Other Payors	12.3
Total	100

Memorial Health Services Obligated Group
Statement of Financial Position
(In thousands)

	As of June 30, 2011	2010	2009
Assets:			
Current assets:			
Cash and cash equivalents	$ 140,021	$ 212,410	$ 262,474
Investments	100,985	473,489	353,835
Patient accounts receivable, net	219,698	205,385	203,039
Other receivables	23,912	7,548	18,633
Due from affiliates	1,782	1,224	37,011
Other current assets limited as to use	6,347	596	-
Other current assets	26,635	23,920	18,144
Total current assets	519,380	924,572	893,136
Long-term investments	647,502	42,878	5,138
Assets limited as to use	18,027	17,999	17,977
Property and equipment, net	558,230	550,165	531,170
Intangibles and goodwill	7,827	-	-
Other assets	123,746	41,698	37,934
Total assets	$ 1,874,712	$1,577,312	$1,485,355
Liabilities and Net Assets:			
Current liabilities:			
Accounts payable	$ 57,922	$ 60,428	$ 75,017
Accrued payroll and employee benefits	89,295	81,168	93,182
Due to affiliates	20,387	31,297	71,998
Estimated third-party payor settlements	5,201	7,163	7,377
Current maturities of long-term debt	146,336	145,285	143,027
Other accrued liabilities	58,875	66,047	57,888
Total current liabilities	378,016	391,388	448,489
Long-term debt, less current maturities	200,812	207,591	207,629
Split-interest agreement trust liabilities, less current portion	397	-	259
Other long-term liabilities	65,738	60,746	59,712
Total liabilities	644,963	659,725	716,089
Net assets:			
Unrestricted	1,208,190	914,704	767,038
Temporarily restricted	21,559	2,883	2,228
Total net assets	1,229,749	917,587	769,266
Total Liabilities and Net Assets	$ 1,874,712	$1,577,312	$1,485,355

Financial Ratios:

	Proforma [a] FYE June 30, 2011	2011	2010	2009
Debt service coverage (x) operating [b]	5.76	6.87	4.01	3.13
Debt service coverage (x) net [b]	8.44	10.06	5.47	3.01
Debt/Unrestricted Net Assets (x)	0.44	0.34	0.45	0.54
Operating Margin (%)		10.72	6.77	4.70
Current Ratio (x)		1.37	2.36	1.99

[a] Recalculates FY 2011 audited results to include the impact of this proposed financing.

[b] Debt service coverage ratios calculated using Maximum Annual Debt Service.

Financial Discussion – Statement of Activities (Income Statement)

MHS' income statement appears to exhibit solid operating results over the review period with strong operating margins and relatively significant revenue growth.

MHS' total operating margins appear to remain solid and significantly growing over the review period from 4.70%, 6.77%, and 10.72% in FY 2009, FY 2010 and FY 2011, respectively. MHS' total operating revenues appear to have grown significantly by approximately 23% over the review period from approximately $1.4 billion in FY 2009 to $1.7 billion in FY 2011, which MHS primarily attributes to increases in net patient service revenues.

Particular Facts to Note:

- Net patient service revenues appear to have increased considerably by approximately 29% from $1.15 billion in FY 2009 to $1.49 billion in FY 2011, which MHS attributes to favorable commercial contracts, the provider fee program[1], and to growth in overall patient volume.

- Total operating expenses remained in line with total operating revenues, with an approximate 15% increase in operating expenses compared to an approximate 23% increase in operating revenues. MHS reports that it has engaged in stronger cost control measures to improve operational efficiency. In FY 2009, total operating expenses were approximately $1.34 billion compared to $1.54 billion in FY 2011. According to MHS, the increases in total operating expenses can be primarily attributed to an increase in salaries, wages, and benefits as well as other and purchased services due to routine business expenditures to accommodate patient volume growth.

- MHS appears to have experienced increases in purchased services from approximately $231.7 million in FY 2009 to approximately $353.4 million in FY 2011, a 52% increase. Purchased services are non-medical expenditures, which include MHS' continued investments in routine capital and information technology expenditures.

- The provisions for bad debts appear to have risen to approximately $99.7 million in FY 2011 from $74.4 million in FY 2009, a 34% increase which MHS reports arose as part of regular business practices and mainly due to the on-going economic environment. MHS believes that these provisions for bad debt will be addressed with the new reform initiatives since these costs would be covered by increased coverage.

- MHS experienced an approximate $37.9 million dollar loss in unrealized gains in FY 2009 on investments but has since recovered the loss and has significantly improved to $66.6 million dollars in FY 2011. MHS' investment income has significantly improved as well from approximately $12.1 million in FY 2009 to approximately $27.1 million in FY 2011. MHS advises these investment changes derived from movements in the overall economy and changing market conditions.

[1] The Provider Fee Program: The state legislature enacted AB 1383 in 2009, as amended by AB 1653 in 2010, which established a Hospital Quality Assurance Fee Program and a Hospital Fee Program. These programs imposed a provider fee on certain California general acute care hospitals that, when combined with federal matching funds, would be used to provide supplemental payments to certain hospitals and support the state's effort to maintain healthcare coverage for children.

Financial Discussion – Statement of Financial Position (Balance Sheet)

MHS appears to exhibit a solid financial position with an operating proforma debt service coverage ratio of 5.76x.

MHS' balance sheet appears to have continued to grow over the review period. Total unrestricted net assets increased from approximately $767 million in FY 2009 to $1.2 billion in FY 2011, an approximate 58% increase. The operating debt service coverage ratio appears to be a strong 6.87x for FY 2011 and the operating proforma debt service coverage ratio is a solid 5.76x, indicating that MHS can likely manage the proposed additional debt.

Particular Facts to Note:

- MHS' cash and cash equivalents appear to have decreased over the review period by approximately 47% from approximately $262.4 million in FY 2009 to $140 million in FY 2011 which MHS attributes to continued self-funded capital expenditures (without taking on additional debt). MHS reports that short-term investments experienced a relatively significant decrease over the review period from approximately $353.8 million in FY 2009 to $100.9 million in FY 2011 due to overall market conditions.

- According to MHS, long-term investments experienced a relatively significant increase from approximately $5.14 million in FY 2009 to $647.5 million in FY 2011 due to favorable market conditions.

- In an attempt to address Health Reform and deliver more high quality comprehensive care, MHS recently acquired Nautilus Healthcare Management Group. According to MHS, this acquisition allows MHS to offer more physician alignment options and is a new source of revenue.

IV. DUE DILIGENCE:

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

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

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

- **Compliance with Seismic Regulations:** MHS properly submitted a description of its organization's progress toward complying with OSHPD seismic evaluation regulations.

- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act)**: MHS 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 Diligence.**

- **Legal Review**.

- **Iran Contracting Act Certificate**: MHS properly submitted the certificate to the Authority.

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EXHIBIT 1
PROJECT SITES

MHC's Series 2012A Bonds may finance projects at the following addresses:

<u>Long Beach Memorial Medical Center:</u>
- 2801 Atlantic Avenue, Long Beach

<u>Earl and Loraine Miller Children's Hospital:</u>
- 2801 Atlantic Avenue, Long Beach

<u>Community Hospital of Long Beach:</u>
- 1720 Termino Avenue, Long Beach

<u>Saddleback Memorial Medical Center:</u>
- 24451 Health Center Drive, Laguna Hills
- 654 Camino de los Mares, San Clemente

<u>Orange Coast Memorial Medical Center:</u>
- 9920 Talbert Avenue, Fountain Valley

<u>Memorial Health Services:</u>
- 17360 Brookhurst Street, Fountain Valley

EXHIBIT 2
FINANCING TEAM

Trustee:	U.S. Bank
Issuer's Counsel:	Office of the Attorney General
Issuer's Financial Advisor:	Public Financial Management, Inc.
Issuer's Financial Analyst:	Macias Gini & O'Connell, LLP
Bond Counsel:	Sidley Austin LLP
Trustee's Counsel:	Dorsey & Whitney, LLP
Borrower's Financial Advisor:	Ponder & Co.
Borrower's Counsel:	O'Melveny & Myers LLP
Underwriters:	Morgan Stanley; Citigroup
Underwriters' Counsel:	Orrick, Herrington & Sutcliffe LLP
Auditor:	PricewaterhouseCoopers LLP

EXHIBIT 3
UTILIZATION STATISTICS

	Fiscal Year Ended June 30,		
	2011	**2010**	**2009**
Licensed and Available Beds	1,487	1,329	1,319
Patient Admissions	67,828	68,896	69,566
Patient Days	302,699	316,593	319,703
Average Length of Stay	4.46	4.60	4.60
Occupancy % Based on Licensed Beds	56%	65%	66%
Emergency Room Visits	169,376	158,425	169,293

EXHIBIT 4
OUTSTANDING DEBT

MEMORIAL HEALTH SERVICES

(000's)

Date Issued	**Original Amount**	**Amount Outstanding As of June 30, 2011[(a)]**	**Estimated Amount Outstanding after Proposed Financing**
- EXISTING LONG-TERM DEBT:			
CLBC[(b)], Series 1991	$65,000	$65,000	$65,000
CHFFA, Series 1994	90,000	69,000	69,000
CSCDA[(c)], Series 2003 A	200,000	201,741	0
- PROPOSED NEW DEBT:			
CHFFA, Series 2012			**$315,000**
- TOTAL DEBT		**$335,741**	**$449,000**

[(a)] Includes current portion of long-term debt.
[(b)] City of Long Beach ("CLBC")
[(c)] California Statewide Communities Development Authority ("CSCDA")

EXHIBIT 5
BACKGROUND, GOVERNANCE AND LICENSURE

Background

Memorial Health Services (MHS), a not-for-profit California public benefit corporation, was organized in 1937 to provide community hospital services in Southern California. MHS is the parent corporation of a multi-hospital, multi-discipline health care system headquartered in Fountain Valley, California, and provides coordinated management for the delivery of health care. MHS has the following significant affiliates and subsidiary organizations:

Long Beach Memorial Medical Center (LBMMC), a not-for-profit, tax-exempt corporation, which includes Earl and Loraine Miller Children's Hospital (MCH) and the Community Hospital of Long Beach (CHLB) as operating divisions, and Memorial Medical Center Foundation (MMCF), a not-for-profit, tax-exempt corporation, are located in Long Beach, California. The LBMMC adult facility is licensed as a 462-bed acute care hospital, MCH has 324 licensed beds, and CHLB, which was purchased April 29, 2011, has 208 licensed beds. LBMMC is the sole corporate member of MMCF. MMCF's purpose is to raise funds for the support of LBMMC. MMCF provides funds to LBMMC for research, education and the purchase of equipment.

Saddleback Memorial Medical Center (SMMC) and Saddleback Memorial Foundation (SMF) are not-for-profit, tax-exempt corporations. SMMC is licensed as a 325-bed acute care hospital with campuses located in Laguna Hills, California, and San Clemente, California. SMMC is the sole corporate member of SMF. SMF's purpose is to raise funds for the support of SMMC. SMF provides funds to SMMC for education and the purchase of equipment.

Orange Coast Memorial Medical Center (OCMMC) is a not-for-profit, tax-exempt corporation. OCMMC is licensed as a 218-bed acute care hospital located in Fountain Valley, California.

Obligated Group

The Obligated Group is the central financing vehicle and credit for MHS and its operating divisions. The Obligated Group facilities are listed below:

- Memorial Health Services (MHS)
- Long Beach Memorial Medical Center (LBMMC)
- Saddleback Memorial Medical Center (SMMC)
- Orange Coast Memorial Medical Center (OCMMC)

Corporate Governance:

The bylaws of the Corporation provide that the Corporation's board of directors shall consist of not fewer than 10 no more than 17 directors, six of whom serve ex officio as voting members of the board of directors.

Licensure and Memberships:

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

RESOLUTION NO. 377

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

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

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

WHEREAS, in February 2003, the California Statewide Communities Development Authority ("CSCDA") previously issued its Health Facility Revenue Bonds (Memorial Health Services), Series 2003A (the "Prior Bonds"), for the benefit of the Borrower, and loaned the proceeds thereof to the Borrower to finance and/or refinance (including through the refunding of certificates of participation previously issued by CSCDA for the benefit of the Borrower) certain projects at certain health facilities of the Obligated Group Members, as more particularly described under the caption "Prior Projects" in Exhibit A hereto (collectively, the "Prior Projects");

WHEREAS, the Borrower has applied to the Authority for the issuance of one or more series of revenue bonds of the Authority in an aggregate principal amount not to exceed $315,000,000 and to make a loan to the Borrower to (1) advance refund all of the Prior Bonds, (2) finance, including through the reimbursement of previous expenditures, certain construction, expansion, remodeling, renovation, furnishing, equipping and/or acquisition of health facilities owned and operated by the Obligated Group Members, as more particularly described under the caption "New Project" in Exhibit A hereto (the "New Project" and, together with the Prior Projects, the "Project"); and (3) pay costs of issuance of the Bonds (defined below);

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 New Project has complied with Division 13 (commencing with Section 21000) of the Public Resource Code, or is not a "project" under such division; and

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

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

Section 1. Pursuant to the Act, revenue bonds of the Authority designated as the "California Health Facilities Financing Authority Revenue Bonds (Memorial Health Services)" (the "Bonds"), in a total aggregate principal amount not to exceed $315,000,000 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 fourth recital above.

Section 2. The Treasurer of the State of California (the "Treasurer") is hereby authorized to enter into agreements to sell the Bonds in one or more series, on one or more sale dates at any time within one year of the adoption of this Resolution, at public or private sale, in such aggregate principal amount (not to exceed the aggregate principal amount set forth in Section 1) and in such series, at such prices, at such interest rate or rates, with such maturity date or dates and upon such other terms and conditions as the Treasurer, with the advice and consent of the Borrower, may determine. The Bonds, at issuance, shall be rated at investment grade by an active nationally recognized rating agency. The Bonds or any series of them may, at the option of the Borrower, be secured by bond insurance or other credit facility and/or supported by one or more liquidity facilities satisfying the requirements of the indenture pursuant to which such Bonds will be issued.

Section 3. The following documents:

(a) the Loan Agreement relating to the Bonds (the "Loan Agreement"), between the Authority and the Borrower,

(b) the Bond Indenture relating to the Bonds (the " Bond Indenture"), between the Authority and U.S. Bank National Association, as bond trustee (the "Trustee"),

(c) the Bond Purchase Contract, including the appendices thereto, relating to the Bonds (the "Purchase Contract"), among Morgan Stanley & Co. LLC, as representative on behalf of itself and Citigroup Global Markets Inc.(collectively, the "Underwriters"), the Treasurer and the Authority and approved by the Borrower, and

(d) the preliminary official statement 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 the terms of credit or liquidity facilities, if any, for any series of Bonds, or provisions relating to a deed of trust or any other security arrangement) form of bond insurance or credit or liquidity enhancement for any series of Bonds) as the officer(s) 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 Contract and by delivery thereof in the case of the Preliminary Official Statement.

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

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

Section 6. The Underwriters are 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 Underwriters (in consultation with the Borrower and Authority counsel), a preliminary official statement may not be used with respect to any series of Bonds. The Underwriter is hereby directed to deliver a final official statement for the Bonds (the "Official Statement") to all actual purchasers of such Bonds.

Section 7. The Bonds, when executed, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to or upon direction of the 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 Underwriters, 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 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 any Bond Indenture, Loan Agreement, Bond Purchase Contract and Official Statement. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: (a) certifications, including a tax certificate; (b) any agreement or commitment letter with respect to the provision of bond insurance, a letter of credit, a surety bond, a credit facility and/or a liquidity facility for any series of the Bonds; and (c) amendments or supplements to the Official Statements.

Section 9. The provisions of the Authority's Resolution No. 2011-15 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

<u>Prior Projects:</u>

<u>Variable Rate Certificates of Participation Evidencing Proportionate Interests of the Holders thereof in Installment Payments to be Made by California Statewide Communities Development Authority from Payments to be Received from Memorial Health Services (the "1996 COPs")</u>

The proceeds of the 1996 COPs were used to finance and refinance the acquisition of Orange Coast Memorial Medical Center, and to finance and refinance certain capital improvements at the health facilities owned and operated by Long Beach Memorial Medical Center, Saddleback Memorial Medical Center and Orange Coast Memorial Medical Center.

<u>California Statewide Communities Development Authority Health Facility Revenue Bonds (Memorial Health Services) Series 2003A (the "2003A Bonds")</u>

A portion of the proceeds of the 2003A Bonds were used to refund the 1996 COPs, and a portion of the proceeds of the 2003A Bonds were used to finance and refinance certain capital improvements at the health facilities owned and operated by Long Beach Memorial Medical Center and Orange Coast Memorial Medical Center.

<u>New Project:</u>

(1) Seismic retrofit of main tower building at Long Beach Memorial Medical Center, 2801 Atlantic Avenue, Long Beach California

(2) Information technology upgrades at: Long Beach Memorial Medical Center, 2801 Atlantic Avenue, Long Beach, California (including Earl and Loraine Miller Children's Hospital, 2801 Atlantic Avenue, Long Beach, California and Community Hospital of Long Beach, 1720 Termino Avenue, Long Beach, California); Saddleback Memorial Medical Center (with campuses located at 24451 Health Center Drive, Laguna Hills, California and 654 Camino de los Mares, San Clemente, California); Orange Coast Memorial Medical Center, 9920 Talbert Avenue, Fountain Valley, California; and Memorial Health Services, 17360 Brookhurst Street, Fountain Valley, California.