CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Marshall Medical Center ("Marshall") 1100 Marshall Way Placerville, California (El Dorado County)	**Amount Requested:** **Requested Loan Term:** **Authority Meeting Date:** **Resolution Number:**	$22,000,000 Up to 12 years July 25, 2012 381

Facility Type: Acute Care Hospital and Skilled Nursing - Government Code 15432(d)(1)
Prior Borrower: Yes (Marshall was CHFFA's first tax-exempt bond issue; date of last issue, 2004.)

Background: Established in 1959, this California nonprofit public benefit corporation is licensed to operate 105-beds (91 acute and intensive care beds and 14 distinct part skilled nursing beds). Marshall provides a broad range of primary and secondary level acute medical and surgical services at its facility, as well as a full range of outpatient services, and 24-hour emergency care services. Other services include home health, a rural health clinic, pediatric services and several primary and specialty physician clinics. In FY 2011, Marshall treated approximately 27,328 patients in its emergency room and recorded more than 965 outpatient procedures in acute beds. (See Exhibits 2 and 4 for more detail).

Use of Proceeds: Bond proceeds will be used to refund all or portion of CHFFA 1993 Series A and 1998 Series A Hospital Revenue Bonds. Based on market conditions, Marshall expects this refunding to result in an estimated net present value savings of $2.6 million or 12.4% over the life of the bonds (Please see page two for more detail).

Type of Issue:	Negotiated public offering with fixed rate bonds (Expected minimum denominations of $5,000)
Credit Enhancement:	Cal-Mortgage Insurance (Pending approval)
Expected Credit Rating:	A- (S&P) based on Cal-Mortgage Insurance
Financing Team:	*Please see Exhibit 1 to identify possible conflicts of interest*

Financial Overview: Marshall's income statement appears to exhibit positive operating performance over the review period and appears to have a positive financial position with a proforma operating debt service coverage ratio of 4.84x.

Estimated Sources of Funds:			**Estimated Uses of Funds:**		
Bond proceeds	$	22,000,000	Refund CHFFA bonds	$	23,236,000
Other funds*		3,900,000	Debt service reserve fund		1,830,000
			Cal-Mortgage preimum and fees		430,000
			Financing costs		404,000
Total Estimated Sources	$	25,900,000	**Total Estimated Uses**	$	25,900,000

*1993 and 1998 debt service reserve fund deposits.

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

Staff Recommendation: Staff recommends the Authority approve Resolution Number 381 in an amount not to exceed $22,000,000 subject to, (1) the conditions in the resolution, including a bond rating of at least investment grade by a nationally recognized rating agency and approval by Cal-Mortgage insurance and; (2) approval of the TEFRA hearing. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Public Financial Management ("PFM"), Inc., the Authority's financial advisor, concur with the Authority's staff recommendations.

(MT)

I. PURPOSE OF FINANCING:

Marshall plans to refund its CHFFA's 1993 Series A and 1998 Series A Hospital Revenue Bonds to take advantage of the current market's historic low level of tax-exempt long-term interest rates to improve its financial position. Based on current market conditions, the refunding of the 1993 Series A and 1998 Series A Revenue Bonds may result in a net present value savings of approximately $2.6 million or 12.4% over the life of the bonds.

Refunding CHFFA's 1998 Series A Bonds.. ***$18,296,000***

Marshall intends to use the bond proceeds to refund CHFFA's 1998 Series A Revenue Bonds in the aggregate principal amount of approximately $31 million. The 1998 Series A Bonds were used to refund CHFFA's 1992 Series A Bonds which financed certain capital improvements, renovation, replacement of the hospital operating plant, fuel tank, core computer system, and equipment owned and operated by Marshall.

Refunding CHFFA's1993 Series A Bonds.. ***4,940,000***

Marshall intends to use the bond proceeds to refund CHFFA's 1993 Series A Revenue Bonds in the aggregate principal amount of approximately $19.9 million. The 1993 Series A Bonds were used to (1) refund CHFFA's 1986 Series A Bonds, the proceeds of which were used to refund CHFFA's 1981 Series A Bonds and; (2) refund CHFFA's 1988 Series A Bonds, the proceeds of which were used for the purpose of financing the construction and equipping of a 3-level building for inpatient and outpatient surgery and other centralized outpatient services owned and operated by Marshall.

Debt Service Reserve Fund		***1,830,000***
Cal-Mortgage Insurance Premium and Fees.....................................		***430,000***
Financing Costs..		***404,000***
Cost of Issuance...	$280,000	
Underwriter's Discount	124,000	
Total Uses of Funds		**$25,900,000**

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

Cal Mortgage Insurance. The primary security for this transaction is insurance from the Office of Statewide Health Planning and Development Cal Mortgage Insurance Program ("Insurance") covering payment of principal and interest on the 2012A Bonds. Separate insurance contracts have been provided by Cal Mortgage for all prior CHFFA bonds issued for the benefit of Marshall Medical Center, including prior issues in 1986, 1988, 1992, 1993, 1998 and 2004. Following completion of this proposed 2012 transaction, the only CHFFA/Marshall bonds that will remain outstanding are the 2004A, 2004B and 2012A bonds. Those outstanding bonds will all be secured on a parity basis enjoying the benefits of the security and covenants on a pro rata basis (except that the 2004B bonds have their own separate bond reserve account and cannot access the other bond reserve account).

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

Bond Reserve Account. There is a bond reserve account covering the 2004A and 2012A bonds funded at Maximum Annual Bond Service for the combined issues. If the reserve is ever tapped for a bond payment, Marshall is required to deposit amounts to the reserve to maintain it at the required level within 12 months.

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

Unconditional Promise to Pay. Marshall agrees to pay the Trustee all amounts required for principal, interest or redemption premium, if applicable, and other payments and expenses designated in the Loan Agreement. All Revenues (which will include payments under the Loan Agreement) and any other amounts held in one of the designated funds or accounts under the Bond Indenture are pledged to secure the full payment of the 2004A and 2012A bonds. [1986 Loan Ag. Sec. 4.6]

Pledge of Gross Revenues. Marshall pledges to deposit all revenues, income, receipts and money received into a Gross Revenues Fund over which the Trustee has a blocked account agreement for the benefit of bondholders. [1986 Loan Ag. Sec. 4.5]

Negative Pledge Against Prior Liens. Marshall agrees not to create, assume or permit any lien or security interest upon the Gross Revenues or Property other than Permitted Encumbrances. [1986 Loan Agreement Sec. 5.4]

Limited Permitted Encumbrances. Marshall is subject to a restrictive set of allowable encumbrances it may incur pursuant to the Indenture. [1986 Ind.]

Debt Service Coverage Requirement. The Loan Agreement contains a debt service coverage requirement based on 1.20 times Aggregate Debt Service. [1986 Loan Ag. Sec. 5.3]

Additional Debt Limitation. Marshall agrees not to incur additional Indebtedness unless authorized by various financial performance or projection measures set out in the Loan Agreement [Sec. 5.5].

Limitations on Mergers, Sales or Conveyances. Marshall agrees not to merge or consolidate with any other entity or sell or convey all or substantially all of its assets to any Person unless authorized by various limiting measures. [1986 Loan Ag. Sec. 5.1]

Disposition of Cash and Property Limitations. The Loan Agreement requires Marshall not to sell, lease or dispose of any property, plant or equipment or cash or cash equivalents unless authorized by various limiting measures. [Sec. 5.7]

Limitations on Acquisition of Plant, Property and Equipment (PPE). The Loan Agreement requires Marshall to deliver certain certifications and obtain the consent of the Office before it acquires PP&E with certain defined exceptions [Sec. 5.8].

Comply with SEC Rule 15c2-12. Marshall will take such action as is necessary to assist the underwriter in complying with SEC Rule 15c2-12. Marshall will contractually agree to disclose designated financial and operating information to the SEC web site (EMMA) during the life of the 2012 bonds and to report designated "material events" such as missed debt service payments, any change in bond ratings, defeasance, 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:

Marshall Medical Center and Subsidiary
Consolidated Statements of Operations
(Unrestricted)

	As of October 31,		
	2011	**2010**	**2009**
Operating revenues:			
Net patient service revenues*	$ 208,049,471	$ 196,654,032	$ 182,339,922
Other operating revenues	1,311,635	1,143,100	1,137,794
Total revenue	209,361,106	197,797,132	183,477,716
Operating expenses:			
Salaries, and wages	70,711,997	68,290,834	61,942,626
Employee benefits	38,510,776	35,688,116	30,405,811
Professional fees	28,109,269	25,811,548	24,410,503
Supplies	23,047,376	21,472,319	21,265,390
Depreciation and amortization	5,778,604	6,925,368	7,149,138
Purchased services	9,829,976	9,147,238	7,544,094
Registry	906,688	1,501,732	779,127
Provision for bad debts	14,150,471	11,483,935	11,964,749
Interest	1,184,809	1,316,013	1,937,857
Other	7,486,776	7,583,958	6,772,397
Total operating expenses	199,716,742	189,221,061	174,171,692
Operating income	**9,644,364**	**8,576,071**	**9,306,024**
Non-operating income (expenses):			
Investment income	666,455	416,463	2,278,106
Other	(286,255)	(275,001)	(227,576)
Net non-operating income	380,200	141,462	2,050,530
Excess of revenue	10,024,564	8,717,533	11,356,554
Unrealized (losses) gains on investments	(8,100)	545,913	847,932
Pension related changes other than Net periodic pension cost	(14,493,888)	(3,042,492)	(5,163,605)
Net assets released from restrictions from purchase property and equipment	480,979	1,012,195	292,743
(Decrease) increase in unrestricted net assets	(3,996,445)	7,233,149	7,333,624
Unrestricted net assets - beginning of year	68,128,020	60,894,871	53,561,247
Unrestricted net assets - end of year	$ 64,131,575	$ 68,128,020	$ 60,894,871

*Net Patient Service Revenue for FYE October 31, 2011

Payors Source	Percent
Medicare	41
Medi-Cal	19
Individual Patients	14
Private Insurance and Other Contractual Payors	26
Total	100

Marshall Medical Center and Subsidiary
Consolidated Balance Sheet

	As of October 31,		
	2011	**2010**	**2009**
Current assets:			
Cash and cash equivalents	$ 23,793,451	$ 28,538,512	$ 17,264,269
Assets limited as to use - held by trustee	3,105,232	3,754,099	3,700,044
Patient accounts receivable, net	31,868,284	29,045,572	27,153,375
Other receivables	409,411	182,656	338,081
Inventories	2,331,381	2,641,645	2,457,908
Prepaid expenses	1,256,515	1,076,500	1,130,717
Other current assets	400,000	600,000	185,000
Total current assets	63,164,274	65,838,984	52,229,394
Assets limited as to use:			
Under indenture agreement - held by trustee	8,951,133	10,067,773	21,521,764
Board designated	20,574,808	20,034,907	19,306,381
Beneficial interest held by foundation	190,621	435,939	1,153,097
Less: amount required to meet current obligations	(3,105,232)	(3,754,099)	(3,700,044)
Assets limited as to use - net	26,611,330	26,784,520	38,281,198
Property and equipment, net of depreciation	96,944,360	81,339,426	70,301,919
Other assets:			
Investment in medical offices - net of depreciation	1,610,077	1,575,846	2,487,160
Bond issuance costs - net	3,274,722	3,521,666	3,772,294
Long-term investments	87,312	94,798	132,930
Intangible assets - net	6,789,688	6,857,717	7,104,055
Other assets	600,000	1,000,000	1,600,000
Total other assets	12,361,799	13,050,027	15,096,439
Total assets	$199,081,763	$187,012,957	$175,908,950

(continued)

Marshall Medical Center and Subsidiary
Consolidated Balance Sheet

	As of October 31,		
	2011	**2010**	**2009**
Current liabilities:			
Current portion of long-term debt	$ 1,892,438	$ 2,624,071	$ 2,496,956
Bond interest payable	1,330,232	1,402,124	1,464,000
Accounts payable and accrued expenses	12,667,875	11,272,401	9,465,746
Accrued compensation and related costs	8,523,173	8,062,648	7,122,346
Estimated third-party payor settlements	10,592,711	7,436,066	4,865,259
Total current liabilities	35,006,429	30,797,310	25,414,307
Non-current liabilities:			
Long-term debt, net of current portion	70,590,000	72,482,438	75,106,507
Estimated malpractice liability reserve and other	-	500,000	513,410
Liability for pension benefits	29,163,138	14,669,250	12,826,758
Total liabilities	134,759,567	118,448,998	113,860,982
Net assets:			
Unrestricted	64,131,575	68,128,020	60,894,871
Temporarily restricted	190,621	435,939	1,153,097
Total net assets	64,322,196	68,563,959	62,047,968
Total Liabilities and Net Assets	$199,081,763	$187,012,957	$175,908,950

Financial Ratios:

	Proforma [(a)] FYE October 31, 2011	2011	2010	2009
Debt Service Coverage - Operating	4.84	4.36	4.41	3.59
Debt Service Coverage - Unrestricted Net Assets	4.94	4.46	4.59	4.16
Debt to Unrestricted Net Assets		1.13	1.10	1.27
Margin (%)		4.61	4.34	5.07
Current Ratio		1.80	2.14	2.06

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

Financial Discussion - Statement of Activities (Income Statement)

Marshall's income statement appears to exhibit positive operating results over the review period.

Marshall's operating margin exhibits positive results from 5.07% in FY 2009 to 4.61% in FY 2011, indicating a positive operating income from approximately $9.3 million in FY 2009 to $9.6 million in FY 2011. Net patient revenues increased from approximately $183 million in FY 2009 to $209 million in FY 2011, while expenses increased at a steady pace due to, according to Marshall, service expansion from approximately $174 million in FY 2009 to $200 million in FY 2011. According to Marshall, the increase in revenues appears to be primarily due to an increase in the Hospital Fee Program[1], emergency room visits, and higher revenue realization per unit of service. Additionally, three new services were added in the physician clinics during the review period: a Hearing Center, Ears, Nose and Throat services and Plastic Surgery, as well as an Orthopedic clinic. As for expenses, Marshall indicates the increase is primarily due to (1) Professional Fee increases reflecting the new professional service contracts for the three new physician clinics; (2) Salaries and Benefits increases due to additional staff for the new clinics and additional retirement plan contributions, and; (3) the slow economy increasing the provision for bad debt due to an increase in patients without health insurance.

Particular Facts to Note:

- During the review period, Marshall experienced a decrease on its investment income from approximately $2.3 million in FY 2009 to $666,455 in FY 2011 and a decrease of unrealized gains on investments from $847,932 in FY 2009 to a loss of $8,100 in FY 2011. The decrease was a result of the economic market downturn, according to Marshall's management. Marshall employed an investment consultant during the review period to advise on the performance of investment managers.

- During the review period, the pension liability increased from $5.1 million to $14.5 million primarily due to the market downturn and a drastic drop in the expected rate of investment return. According to Marshall's management, the future pension obligation will diminish and investment performance will improve as the market improves. Marshall's advises that its funding strategy is "to fund to match" expenses each year, which according to Marshall is far above the minimal funding requirement. In addition, Marshall advises it changed its Defined Benefit Plan effective April 2012 to have the effect of lowering future benefits accruals for employees thereby decreasing future obligations.

- According to Marshall's management, there are many unknowns with Health Reform, but based on the cutbacks that Medicare funding will experience, it may impact net revenue over the course of future years. Marshall may experience a decrease in revenue due to a large Medicare population in the community it services. Part of the decrease will be offset by additional funding for current uninsured patients, but Marshall's management believes that the decrease to Medicare will be more than the increased funding for uninsured patients. Marshall is actively looking at providing care to the community in different ways and tools to manage the operation more efficiently.

1 Hospital Fee Program: the State of California enacted legislation (enacted AB1383 in 2009 and amended by AB 1653 in 2010) that provides for supplemental Medi-Cal payments to certain hospitals funded by a quality assurance fee paid by participating hospitals as well as matching federal funds.

Financial Discussion - Statement of Financial Position (Balance Sheet)

Marshall appears to have a positive financial position with a proforma debt service coverage ratio of 4.84x.

Marshall's balance sheet appears to have exhibited positive financial strength, with total unrestricted net assets increasing from approximately $60.9 million in FY 2009 to $64.1 million in FY 2011, an increase of nearly 5.32%. Marshall attributes the increase primarily to a major expansion project which built a South Wing on to the existing Marshall's facility. Marshall has been able to generate enough income to pay for a portion of Phase 1 of the South Wing while the remaining funding was fulfilled with the 2004 bond financing. As a result, property and equipment have increased from $70.3 million in FY 2009 to $96.9 million in FY 2011.

The operating debt service coverage ratio appears to be 4.36x, and with this financing the proforma operating debt service coverage ratio improves to 4.84x, enhancing Marshall's financial position.

Particular Facts to Note:

- Marshall posted a decrease in the line item found on page 6 of the Consolidated Balance Sheet, referenced as "Under Indenture Agreement – held by trustee" from $21.5 million in FY 2009 to $8.9 million in FY 2011. According to management, the Trustee held money for the Construction Fund for the South Wing. As the project progressed, the money was requisitioned to replenish operating cash that was used for the South Wing until the Construction Fund was expended in FY 2011.

- During the review period, property and equipment increased from $70.3 million in FY 2009 to $96.9 million in FY 2011, primarily due to the major South Wing expansion project. Smaller projects included physician clinic expansions, electronic medical record implementation and routine building and equipment replacements, according to Marshall's management.

- The Estimated Third-Party Payor Settlements increased from $4.8 million in FY 2009 to $10.5 million in FY 2011 during the review period. According to Marshall's management, $3.7 million of this increase was due to the receipt of Medi-Cal Supplemental payments for the Hospital Fee program. At the end of the fiscal year, Marshall had not received final approval for the Managed Care portion of the Hospital Fee program. Marshall was required to record a liability until management received the final approval. The other two million was primarily due to cost report settlements that had not gone through the final audit at the end of FY 2011.

IV. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Savings Pass Through):** Marshall 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):** Marshall properly completed and submitted this certification and indicated that Medi-Cal and Medicare patients are accepted.

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

- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act):** CEQA documentation is not required for this refunding.

- **Religious Affiliation Due Diligence.** Marshall properly completed and submitted related documentation to meet the religious due diligence requirement.

- **Legal Review.** Marshall properly completed and submitted related documentation addressing the Authority's Legal Questionnaire.

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

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EXHIBIT 1

FINANCING TEAM

Marshall Medical Center and Subsidiary

Trustee's Counsel:	Union Bank, N.A
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:	Orrick, Herrington & Sutcliffe LLP
Borrower's Counsel:	Hooper, Lundy & Bookman, Inc
Underwriter:	Bank of America Merrill Lynch
Underwriters' Counsel:	Sidley Austin LLP
Auditor:	Moss-Adams LLP
Rating Agency:	Standard & Poors Ratings
Bond Insurance:	Office of Statewide Health Planning and Development (Cal-Mortgage)

EXHIBIT 2

UTILIZATION STATISTICS

The following table shows utilization statistics of Marshall for the fiscal years ended October 31, 2009, 2010 and 2011:

	As of October 31,		
	2009	**2010**	**2011**
Acute Beds			
Discharges	5,449	5,278	5,186
Average Length of Stay (Days)	4.13	4.52	4.22
Patient Days*	22,519	23,650	21,898
Outpatient Procedures in Acute Beds	805	872	965
Average Daily Census	61.70	64.79	59.99
Licensed Beds	91	91	91
Occupancy Percent	68%	71%	66%
Emergency Room Visits	26,177	26,009	27,328
Skilled Nursing Beds			
Discharges	420	464	426
Patient Days	4,036	3,838	3,973
Licensed Beds	14	14	14
Occupancy	79%	75%	78%

* Excluding well newborns

EXHIBIT 3

OUTSTANDING DEBT

Date Issued	**Original Amount**	**Amount Outstanding [a] As of October 31, 2011**	**Estimated Amount Outstanding after Proposed Financing**
-EXISTING LONG-TERM DEBT:			
CHFFA Revenue Refunding Bonds, 1993 Series A	$ 18,180,000	$ 5,010,000	$ -
CHFFA Revenue Bonds, 1998, Series A	28,030,000	17,705,000	-
CHFFA Revenue Bonds, 2004 Series A	30,000,000	29,650,000	29,650,000
CHFFA Revenue Bonds, 2004 Series B	20,000,000	20,000,000	20,000,000
- PROPOSED NEW DEBT:			
CHFFA 2012 Series A			**22,000,000**
- TOTAL DEBT		**$ 72,365,000**	**$ 71,650,000**

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

EXHIBIT 4

BACKGROUND, GOVERNANCE AND LICENSURE

Background

Marshall Medical Center ("Marshall"), incorporated in 1959, is a California nonprofit public benefit corporation that is licensed to operate 105 beds (91 acute and intensive care beds and 14 distinct part skilled nursing beds). Marshall is located in Placerville, California, approximately 45 miles east of Sacramento, California. Marshall provides health care services primarily to the residents of the Western slope of El Dorado County where Placerville is located. Marshall began operations at its present site as a 49-bed acute care facility in 1959 and has since expanded and modernized its facilities to meet the increasing patient care needs of its service area population. Expansion and renovation programs, completed in the 1970s and 1980s, increased the licensed bed capacity to its current complement of 105 beds and expanded virtually all ancillary and supported services.

Marshall's main hospital facility is a two-story structure that is located on a six-acre campus in Placerville. The current licensed capacity of 105 beds includes seventy-four (74) medical/surgical beds, eight (8) intensive care beds, nine (9) perinatal beds (including maternity and newborn services) and fourteen (14) distinct part skilled nursing beds. Marshall provides a broad range of primary and secondary level acute medical and surgical services at its facility, as well as a full range of outpatient service and 24-hour emergency care services. Other services include home health, pediatric services and several primary and specialty care clinics. The main hospital campus contains a secondary two-story building, completed in 1997, which contains certain clinical and administrative services. Marshall leases additional space in the surrounding area for outpatient radiology, laboratory, and other ancillary services.

Corporate Governance

Marshall is governed by a Board of Directors consisting of 13 members. The members of the Board are elected for three-year terms, and no member may serve more than three consecutive terms.

Licensure, Certification and Accreditation

Marshall is licensed to operate as an acute care hospital and skilled nursing facility by the Department of Health Services of the State of California and is fully accredited by The Joint Commission ("TJC"), a nonprofit accrediting organization. The most recent TJC survey was completed in May 2011, and Marshall received a full three-year accreditation through May 2014.

RESOLUTION NO. 381

**RESOLUTION OF THE
CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
RELATING TO THE ISSUANCE OF
INSURED REFUNDING REVENUE BONDS
FOR MARSHALL MEDICAL CENTER**

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

WHEREAS, the Authority previously issued the California Health Facilities Financing Authority Insured Hospital Revenue Bonds (Marshall Hospital) 1998 Series A (the "Series 1998 Bonds") in the aggregate principal amount of $31,000,000 and loaned the proceeds of the Series 1998 Bonds to Marshall Medical Center, a California nonprofit public benefit corporation (the "Corporation");

WHEREAS, the Authority previously issued the California Health Facilities Financing Authority Insured Hospital Revenue Bonds (Marshall Hospital) 1993 Series A (the "Series 1993 Bonds" and, together with the Series 1998 Bonds, the "Prior Bonds") in the aggregate principal amount of $19,975,000 and loaned the proceeds of the Series 1993 Bonds to the Corporation;

WHEREAS, the Corporation has applied to the Authority for the issuance of revenue bonds of the Authority on behalf of the Corporation in an aggregate principal amount not to exceed $22,000,000 (the "Bonds") for the purposes of (i) refunding all or any portion of the outstanding Prior Bonds (the proceeds of which were used to finance the Prior Project, as further described in Exhibit A attached hereto), (ii) funding an additional deposit to the bond reserve account, if necessary, and (iii) paying costs incurred in connection with the issuance of the Bonds, including an insurance premium and related fees to the Office of Statewide Health Planning and Development of the State of California (the "Office"); and

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

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

Section 1. Pursuant to the Act, revenue bonds of the Authority designated as the California Health Facilities Financing Authority Insured Refunding Revenue Bonds (Marshall Medical Center), Series 2012A, in a total aggregate principal amount not to exceed $22,000,000, 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 the indenture pursuant to which the Bonds will be issued, subject to insurance by the Office. The proceeds of the Bonds shall be used for any or all of the purposes set forth in the fourth WHEREAS paragraph 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 the adoption of this Resolution, at negotiated sale, in such aggregate amount and in such series, at such price and at such interest rate or rates as the Treasurer, with the advice and consent of the Corporation, may determine.

Section 3. The following documents:

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

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

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

(iv) the Contract of Insurance (the "Contract of Insurance"), among the Corporation, the Office and the Authority;

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

(vi) the Bond Purchase Contract, including the exhibits thereto, relating to the Bonds (hereinafter collectively referred to as the "Purchase Contract"), among Merrill Lynch, Pierce, Fenner & Smith Incorporated, as underwriter (the "Underwriter"), the Treasurer and the Authority, and approved by the Corporation;

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein as the officer(s) executing and/or delivering the same, with the advice of the Attorney General of the State of California or such other counsel as the Authority shall select ("Authority Counsel"), may require or approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Sixth Supplemental Loan Agreement, the Seventh Supplemental Indenture, the Regulatory Agreement, the Contract of Insurance 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 Sixth Supplemental Loan Agreement are true and correct.

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

Section 6. The Underwriter is hereby authorized and directed to distribute the Preliminary Official Statement for the Bonds to persons who may be interested in the purchase of the Bonds offered in the issuance. The Underwriter is hereby directed to deliver the final Official Statement (the "Official Statement") to all actual purchasers of the Bonds.

Section 7. The Bonds, when executed pursuant to the Seventh Supplemental Indenture, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to or upon the direction of the Underwriter thereof in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved. Said instructions shall provide for the delivery of the Bonds to or upon direction of the Underwriter, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

Section 8. Each officer of the Authority is hereby authorized and directed for and in the name of and on behalf of the Authority to do any and all things which they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution and the Seventh Supplemental Indenture, the Sixth Supplemental Loan Agreement, the Purchase Contract, the Regulatory Agreement, the Contract of Insurance and the Official Statement. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: (a) certifications; and (b) a tax certificate and agreement.

Section 9. Orrick, Herrington & Sutcliffe, LLP, bond counsel to the Authority, and the trustee for the Prior Bonds, are each hereby authorized, on behalf of the Authority, to subscribe for United States Treasury Securities – State and Local Government Series or to solicit bids for debt securities, which may be used to defease or redeem any or all of such Prior Bonds.

Section 10. The provisions of the Authority's Resolution No. 2011-15 apply to the documents and actions approved in this Resolution.

Section 11. Notwithstanding anything to the contrary in this Resolution, no documents referenced in this Resolution may be executed and delivered until the Authority has held the hearing pursuant to Section 147(f) of the Internal Revenue Code of 1986, if required by said Section 147(f), and the Treasurer of the State of California has approved the issuance of the Bonds as may be required thereby.

Section 12. Notwithstanding anything to the contrary in this Resolution, no documents referenced in this Resolution (other than documents relating to the hearing and approval referred to in Section 11 hereof) may be executed and delivered until the Office of Statewide Health Planning and Development Cal Mortgage Insurance Loan Program has indicated its willingness to insure the Bonds.

Section 13. 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 14. This Resolution shall take effect from and after the date of adoption.

Date of Adoption: ___________________________

EXHIBIT A

Prior Project is the:

(i) refunding of the California Health Facilities Financing Authority Insured Hospital Revenue Bonds ((Marshall Hospital) 1998 Series A the proceeds of which were used to (a) refund the California Health Facilities Financing Authority Insured Hospital Revenue Bonds (Marshall Hospital) 1992 Series A, the proceeds of which were used for the purpose of financing a major renovation program and capital equipment expenditures for the Marshall Medical Center's (the "Corporation") hospital facilities located at 1100 Marshall Way, Placerville, California (the "Facilities"); (b) finance the construction, renovation, equipping and acquisition for certain health facilities located on or about the Facilities; and

(ii) refunding of the California Health Facilities Financing Authority Insured Revenue Bonds (Marshall Hospital) 1993 Series A the proceeds of which were used to (a) refund the California Health Facilities Financing Authority Insured Hospital Revenue Refunding Bonds (Marshall Hospital) 1986 Series A, the proceeds of which were used to advance refund the California Health Facilities Financing Authority Health Facility Revenue Bonds Loan Repayments Insured by the State of California Office of Statewide Health Planning and Development (Marshall Hospital), Series A which were issued to improve the Facilities; and (b) refund the California Health Facilities Financing Authority Insured Hospital Revenue Bonds (Marshall Hospital), 1988 Series A, the proceeds of which were used for the purpose of financing the construction, renovation and equipping of the Facilities.