

**CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY**

<p>Applicant: Adventist Health System/West (“Adventist”) 2100 Douglas Blvd. Roseville, CA 95661 Placer County</p> <p>Project Sites: See Exhibit 1</p> <p>Facility Types: General acute/ sub-acute and outpatient care</p> <p>Eligibility: Government Code 15432(d)(1)</p> <p>Prior Borrower: Yes (date of last CHFFA issue, 2011)</p> <p>Obligated Group: The Adventist Obligated Group is identified in Exhibit 5.</p>	<p>Amount Requested: \$355,000,000</p> <p>Date Requested: Jan. 14, 2013</p> <p>Requested Loan Term: Up to 40 years</p> <p>Resolution Number: 386</p>																				
<p>Background: Adventist was established in 1980 by the merging of two smaller health systems known as Adventist Health Services, Inc. and Northwest Medical Foundation. Based in Roseville, California, Adventist is a nonprofit organization whose mission is to improve the quality of health care in the communities they serve by emphasizing wellness and disease prevention. Adventist includes more than 21,000 employees and 3,000 volunteers who work alongside over 4,500 medical staff physicians, numerous clinics and outpatient facilities, 14 home care agencies and four joint venture retirement centers throughout the Western United States. See Exhibit 5 for more details.</p>																					
<p>Use of Proceeds: Bond proceeds will be used to refund on a current basis CHFFA Variable Rate Bonds Series 2002 A and B and CHFFA Fixed Rate Bonds Series 2003A. Adventist expects to achieve approximately \$20 million in debt service savings from the proposed refunding over the life of the bonds. Adventist also intends to finance or refinance the cost of acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of certain health facilities at various locations and pay costs in connection with the issuance of the Bonds.</p>																					
<p style="text-align: center;">Type of Issue: Negotiated public offering with fixed rate bonds (expected minimum denominations of \$5,000)</p> <p>Expected Credit Rating: “A” with Stable Outlook (S&P and Fitch)</p> <p>Financing Team: <i>Please see Exhibit 2 to identify possible conflicts of interest</i></p>																					
<p>Financial Overview: Adventist’s income statement appears to exhibit solid positive operating results over the review period with adequate operating margins and continued revenue growth. Adventist appears to have a solid financial position with an operating proforma debt service coverage ratio of 4.12x.</p>																					
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: left;"><u>Estimated Sources of Funds:</u></th> <th colspan="2" style="text-align: right;"><u>Estimated Uses of Funds:</u></th> </tr> </thead> <tbody> <tr> <td style="width: 30%;">Par amount of bonds</td> <td style="width: 20%; text-align: right;">\$ 355,000,000</td> <td style="width: 30%;">Refunding</td> <td style="width: 20%; text-align: right;">\$ 232,200,000</td> </tr> <tr> <td>Other funds*</td> <td style="text-align: right;">20,000,000</td> <td>Project Fund</td> <td style="text-align: right;">140,000,000</td> </tr> <tr> <td></td> <td></td> <td>Financing Costs</td> <td style="text-align: right;">2,800,000</td> </tr> <tr> <td>Total Estimated Sources</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 375,000,000</td> <td>Total Estimated Uses</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 375,000,000</td> </tr> </tbody> </table>		<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>		Par amount of bonds	\$ 355,000,000	Refunding	\$ 232,200,000	Other funds*	20,000,000	Project Fund	140,000,000			Financing Costs	2,800,000	Total Estimated Sources	\$ 375,000,000	Total Estimated Uses	\$ 375,000,000
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<p><small>* Other funds includes funds released from reserve and equity.</small></p>																					
<p>Legal Review: Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, Savings Pass Through, Seismic, CEQA documentation, and the Iran Contracting Act Certificate documentation. All documentation satisfies the Authority’s requirements.</p>																					
<p>Staff Recommendation: Staff recommends the Authority approve Resolution Number 386 in an amount not to exceed \$355,000,000 subject to the conditions in the resolution, including a 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.</p>																					

I. PURPOSE OF FINANCING:

Over the past ten years, Adventist has engaged in significant capital investments to comply with state-mandated seismic standards, replace aging facilities, and address capacity constraints. Adventist seeks to issue \$355 million in CHFFA Fixed Rate Revenue Bonds Series 2013 for the refunding of prior CHFFA debt that financed some of these capital investments as well as finance other new capital projects. As a result of this bond financing, Frank R. Howard Memorial Hospital will become a part of the Obligated Group. Adventist expects to achieve approximately \$20 million in debt service savings from the proposed refunding over the life of the bonds.

***Refunding*..... \$232,200,000**

CHFFA/ Adventist Health System/ West Series 2003 A Fixed Rate Bonds

Proceeds of these bonds were used to finance the costs of renovations, replacement and acquisition at 10 California hospitals in the Obligated Group, the purchase and implementation of a clinical information system at Adventist’s office as well as pay down an advance on a line of credit, which was used to reimburse certain early costs of the capital projects and redeem City of Bakersfield Series 1993 A

Bonds \$172,200,000*

*Includes accrued interest of \$4,200,000

CHFFA/ Adventist Health System/ West Series 2002 A and B Variable Rate Hospital Revenue Bonds

Proceeds of these bonds were used to provide for the financing and refinancing of certain capital improvements for 11 members of the Obligated Group, including the acquisition and installation of a clinical information system, construction and equipping of an oncology center, acquisition of diagnostic and treatment equipment and a co-generator plant, construction and equipping of a 30-bed addition, acquisition of medical equipment, renovations of emergency and ICU departments, acquisition of a cardio-pulmonary unit, building code upgrades, construction and equipping of a cardiac catheterization lab, acquisition and installation of a radiology imaging storage system, and acquisition, construction and equipping of a 70-bed, 120,000 square foot hospital to replace a pre-existing 63-bed

Facility \$60,000,000

Project Fund..... 140,000,000

Bond proceeds will be used to finance various capital projects at six locations as listed below and to pay costs in connection with the issuance of the bonds.

- **Adventist Health System/West**
Finance various clinical information technology projects \$37,000,000

- **Adventist Medical Center – Hanford**
Construction of a new women’s hospital expected to be completed by 2015..... 33,600,000

- **Willits Hospital, Inc. dba Frank R. Howard Memorial Hospital**
Construction and equipping of a replacement hospital expected to be completed by 2014..... 33,000,000

- **Ukiah Adventist Hospital dba Ukiah Valley Medical Center**
Expansion and remodeling of an emergency department & intensive care unit expected to be completed by 2014 23,000,000

- **San Joaquin Community Hospital**
Purchase of equipment for an imaging center expected to be completed by 2014..... 9,000,000

- **Feather River Hospital**
Construction and equipping of a gastrointestinal center expected to be completed in 2013..... 4,400,000

Financing Costs 2,800,000

Estimated underwriter’s discount \$2,000,000
Estimated cost of issuance 800,000

Total Estimated Uses of Funds..... \$375,000,000

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

Adventist Health System/West (“Adventist”) acts as the representative of an Obligated Group which, upon issuance of the 2013 Bonds, will consist of Adventist and fifteen (15) affiliate Members, each of which operates hospitals and/or health facilities. Frank R. Howard Memorial Hospital, a beneficiary of the proceeds of the new money bonds who requested in the application to CHFFA to construct a replacement facility in Willits, California, will join as a Member of the Obligated Group as of the closing of this transaction. All Members are jointly and severally liable on Notes issued under the master trust indenture with respect to repayments of loan amounts relating to CHFFA’s bonds and other parity debt. Adventist is the borrower under each loan agreement and is bound by all covenants below.

There are also protective tests limiting other 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. Frank R. Howard Memorial will certify that it meets the legal and financial tests to join the Obligated Group and maintain the Obligated Group’s legal and financial status.

The ultimate financing plan is remaining flexible until pricing due to the volatility of the market during the ongoing fiscal cliff negotiations. Interest rates are expected to remain volatile for the coming weeks. Depending on interest rates later in January, Adventist may come back before the Authority board to seek approval for issuing a portion through a variable rate direct purchase agreement.

After reviewing the Obligated Group’s credit profile, including its current financial profile, prior bond transactions and considering what the market will support, Adventist, Public Financial Management, Inc., and the underwriters have concluded the covenants listed below align the interests of the Obligated Group, CHFFA, and the investors and therefore are consistent with covenants that have applied to the Obligated Group’s prior bond transactions and that the Obligated Group’s current financial situation does not suggest additional covenants should be required.

The following covenants are applicable for this transaction:

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

Pledge of Gross Revenues. *Each Member of the Obligated Group pledges to deposit all revenues, income, receipts and money received into a Gross Revenues Fund over which the Master Trustee has a blocked account agreement for the benefit of each bond trustee and parity lender.*

Negative Pledge Against Prior Liens. *Each Obligated Group Member agrees not to create, assume or permit any Lien upon the Operating Assets and Current Assets or their respective Property, Plant and Equipment other than Permitted Liens.*

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

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

Debt Service Coverage Requirement. *The Master Indenture contains a debt service coverage requirement based on 1.25 times Maximum Annual Debt Service. A debt service coverage requirement is a ratio measuring ability to make interest and principal payments as they become due by assessing the amount of revenue available to meet long-term debt service payments.*

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

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

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

Comply with SEC Rule 15c2-12. *Adventist will take such action as is necessary to assist the underwriter in complying with SEC Rule 15c2-12. Adventist will contractually agree to disclose designated financial and operating information to the SEC web site (EMMA) during the life of the 2013 bonds and to report designated “material events” such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc.*

Staff and PFM have reviewed the entirety of this financing package and find it to be acceptable.

III. FINANCIAL STATEMENTS AND ANALYSIS:

Adventist Health System/West⁽¹⁾
Combined Income Statement of Operations and Changes in Unrestricted Net Assets (\$000's)

	For the year ended December 31,		
	2011	2010	2009
<u>Unrestricted Revenues, Gains and Support</u>			
Net patient service revenue less provision for bad debts ⁽²⁾	\$ 2,485,076	\$ 2,401,367	\$ 2,065,550
Premium revenue	22,779	24,497	25,286
Other revenues	138,695	129,580	125,024
Net assets released from restriction	6,759	7,503	5,961
Total revenues, gains and support	2,653,309	2,562,947	2,221,821
<u>Expenses</u>			
Employee compensation	1,365,001	1,254,195	1,164,435
Professional fees	233,288	200,608	191,031
Supplies	395,525	372,874	352,753
Purchased services and other	407,658	435,982	300,921
Interest	35,747	32,092	29,738
Depreciation	118,760	103,808	98,692
Total expenses	2,555,979	2,399,559	2,137,570
Excess of revenues over expenses	97,330	163,388	84,251
<u>Unrestricted Net Assets</u>			
Change in net unrealized gains	6,967	14,802	25,772
Donated property and equipment	688	461	117
Net assets released from restriction	6,069	7,703	10,245
Increase in unrestricted net assets	111,054	186,354	120,385
Net (loss) from discontinued operations	(1,609)	3,701	(7,011)
Loss on disposal	-	(790)	(8,149)
Increase in unrestricted net assets	109,445	189,265	105,225
Unrestricted net assets, beginning of year	1,212,589	1,023,324	918,099
Unrestricted net assets, end of year	\$ 1,322,034	\$ 1,212,589	\$ 1,023,324

⁽¹⁾ The Obligated Group represents approximately 95% of the total revenues shown in the above statement.

⁽²⁾ **Net patient service revenue** **Percent**

Medicare	44.0
Medicaid/Medi-Cal	22.6
HMO/PPO	25.2
Commercial	0.9
Self-pay & Other	7.3
Total	100.00

Adventist Health System/West⁽¹⁾
Combined Balance Sheets (in \$000's)

	December 31,		
	2011	2010	2009
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 250,119	\$ 227,514	\$ 290,179
Marketable securities	45,393	19,898	22,457
Assets whose use is limited	22,606	21,217	25,836
Patients accounts receivables, net	357,638	323,906	300,973
Receivables from third party payors	7,957	33,026	-
Other receivables	27,280	39,388	50,934
Inventories	42,594	38,850	35,864
Prepaid expenses and other current assets	23,711	20,448	17,267
Total current assets	<u>777,298</u>	<u>724,247</u>	<u>743,510</u>
Other assets:			
Notes receivable	16,658	20,169	7,392
Marketable securities	472,564	473,978	362,895
Assets whose use is limited	354,234	271,436	336,254
Long-term investments	25,004	19,814	18,735
Deferred financing costs	7,373	7,464	9,438
Other long-term assets	38,905	20,508	7,531
Assets who use is limited, net of current portion	<u>914,738</u>	<u>813,369</u>	<u>742,245</u>
Property, plant and equipment, net	1,397,999	1,324,761	1,229,564
Total assets	<u>\$ 3,090,035</u>	<u>\$ 2,862,377</u>	<u>\$ 2,715,319</u>
<u>Liabilities & Net Assets</u>			
Current liabilities:			
Accounts payable	\$ 86,885	\$ 90,008	\$ 95,436
Accrued liabilities	158,142	148,463	141,432
Liabilities to third party payors	58,151	88,767	85,450
Other current liabilities	40,772	40,553	62,331
Short-term financing	152	4,576	40,555
Current maturities of long-term debt	25,622	21,189	16,973
Total current liabilities	<u>369,724</u>	<u>393,556</u>	<u>442,177</u>
Long-term debt, net of current maturities	1,048,825	936,173	922,001
Other noncurrent liabilities	292,078	266,484	273,641
Total liabilities	<u>1,710,627</u>	<u>1,596,213</u>	<u>1,637,819</u>
Net assets:			
Unrestricted	1,322,034	1,212,589	1,023,324
Temporarily restricted	51,412	48,350	48,945
Permanently restricted	5,962	5,225	5,231
Total net assets	<u>1,379,408</u>	<u>1,266,164</u>	<u>1,077,500</u>
Total liabilities & net assets	<u>\$ 3,090,035</u>	<u>\$ 2,862,377</u>	<u>\$ 2,715,319</u>
<u>Financial Ratios:</u>			
	2011	2010	2009
	Proforma⁽²⁾		
	<u>FYE December 31, 2011</u>		
Debt Service Coverage of Operating Income (x)	4.12	4.42	6.10
Debt Service Coverage of Net Income (x)	4.32	4.64	6.63
Debt/Unrestricted Net Assets (x)	0.91	0.81	0.79
Margin (%)	3.67	6.38	3.79
Current Ratio (x)	2.10	1.84	1.68

⁽¹⁾ The Obligated Group represents approximately 97% of the total assets shown in the above statement.

⁽²⁾ Recalculates FY 2011 audited results to include the impact of this proposed financing.

The audited, combined financial statements of entities operating under Adventist Health were analyzed in this section. The Obligated Group comprises approximately 97% of the total assets and 95% of the total revenues of the combined financials.

Financial Discussion – Statement of Activities (Income Statement)

Adventist’s income statement appears to exhibit solid positive operating results over the review period with adequate operating margins and continued revenue growth.

Adventist’s total revenues appear to have grown 19% over the review period from approximately \$2.2 billion in FY 2009 to \$2.7 billion in FY 2011. According to Adventist, the increase in revenues can be largely attributed to an increase in their net patient revenues, which grew by about 20%, from approximately \$2.1 billion in FY 2009 to \$2.5 billion in FY 2011 and accounts for 94% of total revenues. Adventist primarily attributes this to continued growth in business over the review period including the number of patient days and discharges.

Particular Facts to Note:

- As a result of issuing bonds, including the issuance of the CHFFA Series 2009 and 2011 bonds, Adventist was able to undergo major replacements and renovation projects to support the continued growth in demand. Adventist advises these new facilities contributed to the significant increases in net patient revenue over the review period.
- Expenses totaled approximately \$2.6 billion in FY 2011 increasing by approximately 20% as compared to total expenses in FY 2009 of approximately \$2.2 billion. Although expenses have increased, they appear to remain in line with the growth in revenues which has allowed Adventist to continue to recognize profits with operating margins relatively remaining the same at solid levels over the review period from 3.79% in FY 2009 to 3.67% in FY 2011.
- In FY 2010, Adventist’s operating margin improved to 6.4% due to revenues increasing at a greater pace than expenses, but then in FY 2011, expenses caught up to sustain the growth in revenues. Adventist management indicates that Adventist maintains proportional growth in expenses and revenue, driven through growth and inflationary factors.
- Adventist reported net losses and gains from discontinued operations throughout the review period due to the sale of two facilities; South Coast Medical Center and Paradise Valley Hospital and merger of Hanford Community Medical Center and Selma Community Hospital into one entity, Adventist Medical Center-Hanford, which was triggered by Adventist’s goal of strengthening its market presence.
- Adventist reports that the changes in the net unrealized gains relate principally to market changes in interest rates for similar types of securities. After the disruption of the capital markets in late 2007, Adventist management has determined to keep its leverage and liquidity ratios moderate.

- Adventist's interim unaudited financial statements ending September 30, 2012 appear to show operational improvements with an operating margin of approximately 4.7%.

Financial Discussion – Statement of Financial Position (Balance Sheet)

Adventist appears to have a solid financial position with an operating proforma debt service coverage ratio of 4.12x.

Adventist's balance sheet appears to have continued growing over the review period. Total net assets increased from approximately \$1.1 billion in FY 2009 to \$1.4 billion in FY 2011, an increase of nearly 28%. The operating debt service coverage ratio for FY 2011 appears to be a solid 4.42x, and with the proposed financing, the operating proforma debt service coverage ratio appears to remain solid at 4.12x, indicating Adventist can likely manage the additional debt.

Particular Facts to Note:

- Total current assets grew from approximately \$744 million in FY 2009 to \$777 million in FY 2011, a 5% increase, which Adventist attributes to increases in marketable securities and overall business growth.
- Adventist attributes its approximate 14% increase in property, plant and equipment over the review period to its significant capital investment to comply with California state-mandated seismic standards, replace aging facilities, and address capacity. These costs were capitalized which subsequently increased property, plant and equipment.
- Total liabilities increased over the review period from \$1.6 billion in FY 2009 to \$1.7 billion in FY 2011 which Adventist attributes to financing capital projects, increasing level of business, and fluctuations in the normal business cycle.
- Adventist's unaudited interim financial statements ending September 30, 2012 appear to confirm Adventist is likely capable of making its debt service payments as they come due.

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IV. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Savings Pass Through):** Adventist 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):** Adventist properly completed and submitted this certification and indicated that Medi-Cal and Medicare patients are accepted.
- **Compliance with Seismic Regulations:** Adventist 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):** Adventist properly submitted relevant documentation addressing CEQA.
- **Religious Affiliation Due Diligence:** Adventist properly completed and submitted relevant documentation to meet the religious due diligence requirement.
- **Legal Review:** Adventist properly completed and submitted relevant documentation for the Authority’s Legal Questionnaire.
- **Iran Contracting Act Certificate:** Adventist and the underwriter properly submitted the certificate to the Authority.

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EXHIBIT 1

PROJECT SITES

New Money Project Sites:

- Adventist Health System/West 2100 and 2130 Douglas Blvd, 2130 Professional Dr, Roseville, CA 95661, 1025, 1075 and 1101 Creekside Ridge Dr, Roseville, CA 95678
115 Mall Dr, Hanford, CA 93230
- Hanford Community Hospital
dba Adventist Medical Center-Hanford
- Feather River Hospital 5974 Pentz Road, Paradise, CA 95969
- Ukiah Adventist Hospital 275 Hospital Drive, Ukiah, CA 95482
dba Ukiah Valley Medical Center
- San Joaquin Community Hospital 2615 Eye Street, Bakersfield, CA 93301
- Willits Hospital, Inc. One Marcela Drive, Willits, CA 95490
dba Frank R. Howard Memorial Hospital
dba Howard Memorial Hospital

Refunding Project Sites:

- Adventist Health System/West 2100, 2130 Douglas Blvd, Roseville, CA 95661 and 1025, 1075, 1101 Creekside Ridge Dr., Roseville, CA 95678
- Feather River Hospital 5974 Pentz Road, Paradise, CA 95969
- Glendale Adventist Medical Center 1509 Wilson Terrace, Glendale, CA 91206
- Hanford Community Hospital
dba Adventist Medical Center - Hanford 115 Mall Drive, Hanford, CA 93230
- St. Helena Hospital 10 Woodland Road, St. Helena, CA 94574
dba St. Helena Hospital Napa Valley
- San Joaquin Community Hospital 2615 Chester Ave, Bakersfield, CA 93301
- Simi Valley Hospital & Health Care Services dba Simi Valley Hospital 2975 N. Sycamore Drive, Simi Valley, CA 93065
- Sonora Community Hospital 1000 Greenley Road, Sonora, CA 95370
dba Sonora Regional Medical Center
- Ukiah Adventist Hospital 275 Hospital Drive, Ukiah, CA 95482
dba Ukiah Valley Medical Center
- White Memorial Medical Center 1720 Cesar E Chavez Ave, Los Angeles, CA 90033
- Adventist Health Clearlake Hospital Inc. 15630 18th Ave. - Highway 53, 15666 18th Ave., 14880 Olympic Drive, and 15250 Lakeshore drive, all in Clearlake, CA 95422, 801 11th St. #3B, Lakeport, CA 95453, 13050 High Valley Road, Clearlake Oaks, CA 95423, 9245 Highway 53, Lower Lake, CA 95457, 4241 Church Street, Kelseyville, CA 95451 and 21337 Bush Street, Middletown, CA 95461
- Selma Community Hospital 1041, 1141, and 1142 Rose Ave, Selma, CA 93662 and 2240 West Tahoe, Caruthers, CA 63609

EXHIBIT 2

FINANCING TEAM

Trustee: U.S. Bank National Association

Agent for Sale: California State Treasurer

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: Katten Muchin Rosenman LLP

Underwriter(s): Wells Fargo Bank, National Association
Bank of America (TBD)

Underwriter's Counsel: Squire Sanders LLP

Auditor: Ernst & Young LLP

Rating Agencies: Standard & Poor's
Fitch Ratings

EXHIBIT 3

UTILIZATION STATISTICS

Adventist Health System/West

The following table presents selected operating statistics for the Obligated Group.

	Year Ended December 31,		
	2009	2010	2011
Discharges	117,297	121,847	124,933
Patient Days	548,659	561,861	573,142
Average Length of Stay in days	4.7	4.6	4.6
Outpatient Revenue as a % of Gross Patient Revenue	38%	37%	38%

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EXHIBIT 4

OUTSTANDING DEBT:

Date Issued	Original Amount	Amount Outstanding As of December 31, 2011⁽¹⁾	Estimated Amount Outstanding after Proposed Financing
Existing Long-Term Debt:			
<i>Authority Debt</i>			
Adventist Health System/West-Sutter Health Revolving Loan Pool, Series 1991 A & 1991 B	\$28,417,482	\$28,217,482	\$28,217,482
Adventist Health System/West, 1998 Series A	60,000,000	45,800,000	45,800,000
Adventist Health System/West, 1998 Series B	42,200,000	31,600,000	31,600,000
Adventist Health System/West, 2002 Series A & 2002 B	60,000,000	60,000,000	0
Adventist Health System/West, 2003 Series A	168,000,000	168,000,000	0
Adventist Health System/West, 2009 Series A	90,000,000	90,000,000	90,000,000
Adventist Health System/West, 2009 Series B	30,000,000	30,000,000	30,000,000
Adventist Health System/West, 2009 Series C	54,495,000	36,840,000	36,840,000
Adventist Health System/West, 2011 Series A	130,000,000	130,000,000	130,000,000
<i>Other Outstanding Debt</i>		453,989,518	453,989,518
Proposed New Debt:			
CHFFA Series 2013⁽²⁾			\$355,000,000
TOTAL DEBT		\$1,074,447,000	\$1,201,447,000

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

(2) The transaction is evolving with market conditions and might include a taxable element or might be downsized.

EXHIBIT 5

BACKGROUND, GOVERNANCE AND LICENSURE

Background

The health care system led by Adventist Health System/West (“Adventist”), doing business as Adventist Health, has a rich history with a commitment to delivering quality health care. This commitment stems back to 1866 with dedicated health care pioneers who promoted proper nutrition, exercise and proper sanitation.

Adventist, headquartered in Roseville, California, is a nonprofit corporation created in 1980 when two smaller health systems, Adventist Health Services, Inc. and Northwest Medical Foundation, merged. Adventist was formed to coordinate the management of health care facilities in the Western United States (Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Utah and Washington). Adventist (both the Obligated Group and non-obligated members) collectively controls or manages 17 nonprofit corporations that own or operate hospital facilities. These facilities range in size from 25 to 515 licensed acute care beds, plus other bed categories such as skilled nursing, ambulatory residential and retirement. Adventist includes more than 21,000 employees and 3,000 volunteers who work alongside over 4,500 medical staff physicians, numerous clinics and outpatient facilities, 14 home care agencies and four joint venture retirement centers.

Obligated Group

The Obligated Group consists of Adventist and 15 affiliate nonprofit hospital corporations, 14 (Including Frank R. Howard Memorial Hospital) of which own and operate facilities in California, Hawaii, Oregon and Washington and one which operates a leased hospital facility in Oregon. The members of the Obligated Group are jointly and severally liable for substantially all of Adventist’s debt under the terms of a Master Indenture. The assets of the entities that are not members of the Obligated Group represented less than 3% of the aggregate assets of the entire system and the total revenues of the entities that are not members of the Obligated Group represented less than 5% of the total revenues of the entire system for the fiscal year ending December 31, 2011.

Obligated Group

Member

Adventist Health System/West.....
Adventist Medical Center - Hanford.....
Adventist Medical Center - Portland.....
Castle Medical Center.....
Central Valley General Hospital.....
Feather River Hospital.....
Glendale Adventist Medical Center.....
Frank R. Howard Memorial Hospital*.....
St. Helena Hospital.....
San Joaquin Community Hospital.....
Simi Valley Hospital.....
Sonora Regional Medical Center.....
Tillamook County General Hospital.....
Ukiah Valley Medical Center.....
Walla Walla General Hospital.....
White Memorial Medical Center.....

Location

Roseville, CA
Hanford, CA
Portland, OR
Kailua, HI
Hanford, CA
Paradise, CA
Glendale, CA
Willits, CA
Deer Park, CA
Bakersfield, CA
Simi Valley, CA
Sonora, CA
Tillamook, OR
Ukiah, CA
Walla Walla, WA
Los Angeles, CA

*To be added to Obligated Group concurrently with the issuance of the bonds in this transaction.

Corporate Governance

The articles of incorporation and bylaws of Adventist provide that its business and affairs shall be managed by its Board of Directors (the “Board”). Members of the Board are elected by the membership. The membership currently consists of 39 members who are drawn from the following: (i) representatives from conferences of Seventh-day Adventists; (ii) representatives from local conferences of Seventh-day Adventists for the geographic areas in which are located health care institutions affiliated with the system; (iii) representatives of educational institutions (iv) representatives of management of Adventist; (v) representatives selected from the presidents of the hospitals affiliated with the system; (vi) representatives from physician members; and (vii) representatives who meet the qualifications for membership set forth in the bylaws.

Each member’s term is for five years or until a successor is elected. A member can be elected for successive terms. Under the current bylaws, the Board will be composed of no more than 13 members, all of whom are voting members.

Licensure and Memberships

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

RESOLUTION NO. 386

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

WHEREAS, the California Health Facilities Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Health Facilities Financing Authority Act (the “Act”) to issue revenue bonds and loan proceeds thereof to any participating health institution to finance the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities (including by reimbursing expenditures made for such purposes), to refinance indebtedness of a participating health institution in connection therewith and to refund any outstanding bonds or any outstanding series or issue of bonds of the Authority; and

WHEREAS, Adventist Health System/West is a nonprofit religious corporation duly organized and existing under the laws of the State of California (the “Borrower”), which owns and operates health care facilities in the State of California; and

WHEREAS, the Authority has previously issued its (i) Variable Rate Hospital Revenue Bonds (Adventist Health System/West), 2002 Series A (the “2002 Series A Bonds”) in the aggregate principal amount of \$35,000,000, all of which is currently outstanding; (ii) Variable Rate Hospital Revenue Bonds (Adventist Health System/West), 2002 Series B (the “2002 Series B Bonds”) in the aggregate principal amount of \$25,000,000, all of which is currently outstanding; and (iii) Health Facility Revenue Bonds (Adventist Health System/West), 2003 Series A (the “2003 Series A Bonds” and, collectively with the 2002 Series A Bonds and the 2002 Series B Bonds, the “Prior Bonds”) in the aggregate principal amount of \$168,000,000, all of which is currently outstanding, and loaned the proceeds thereof to the Corporation and its affiliates to finance and refinance indebtedness incurred thereby in connection with the acquisition, construction, rehabilitation, remodeling and renovation of certain capital projects (including funded interest during construction) constituting health facilities owned and operated by the Borrower and its affiliates, as more particularly described under the caption “Prior Project” in Exhibit A hereto and incorporated by reference (the “Prior Project”); and

WHEREAS, the Borrower has requested that the Authority issue one or more series of its revenue bonds in an aggregate principal amount not to exceed \$355,000,000, and make one or more loans of the proceeds thereof to the Borrower to (i) refund all or any portion of the outstanding Prior Bonds, (ii) finance or refinance the construction, expansion, remodeling, renovation, furnishing and equipping of certain health facilities, as more particularly described under the caption “New Project” in Exhibit A hereto (the “New Project” and, together with the Prior Project, the “Project”), and (iii) pay costs of issuance of the Bonds (as defined below); and

WHEREAS, to the extent required by subdivision (b) of Section 15455 of the Government Code, the Borrower has provided documentation to the Authority demonstrating, to the extent applicable, that the New Project has complied with Division 13 (commencing with Section 21000) of the Public Resources Code or is not a “project” under such division; and

WHEREAS, approval of the terms of issuance and sale of 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 (a) “California Health Facilities Financing Authority Revenue Bonds (Adventist Health System/West), Series 2013A” (the “Bonds”), in a total aggregate principal amount not to exceed \$355,000,000, 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 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 prior to the first anniversary of the date of this Resolution, at public or private sales, in such aggregate principal amounts (not to exceed the aggregate principal amount set forth in Section 1) and in such series, at such prices (so long the discount on the Bonds sold shall not exceed 6 percent of the par value thereof) and at such interest rate or rates and upon such other terms and conditions as the Treasurer, with the advice and consent of the Borrower, may determine. The Bonds shall, at issuance, be rated at investment grade by an active nationally recognized rating agency. The Bonds or any series of them may, at the sole option of the Borrower, be secured by deeds of trust, a reserve fund, bond insurance, credit facility and other security arrangements and/or supported by one or more liquidity facilities.

SECTION 3. The proposed forms of the following documents:

(i) One or more Loan Agreements relating to the Bonds (collectively, the “Loan Agreements”), between the Authority and the Borrower,

(ii) One or more Bond Indentures relating to the Bonds (collectively, the “Bond Indentures”), between the Authority and U.S. Bank National Association, as bond trustee (the “Bond Trustee”),

(iii) One or more Bond Purchase Contracts, including the exhibits thereto, relating to the Bonds (the “Purchase Contracts”), among Wells Fargo Securities (the “Underwriter”), the Treasurer and the Authority, and approved by the Borrower,

(iv) One or more preliminary official statements relating to the Bonds (the “Preliminary Official Statements”),

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect provisions relating to a deed of trust, a bond reserve fund, bond insurance, any other credit and/or liquidity facility and/or another security arrangement, at the sole option of the Borrower, for any series of Bonds) as the officer executing the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Loan Agreements, the Bond Indentures and the Purchase Contracts and by delivery thereof in the case of the Preliminary Official Statements. The Executive Director shall seek the advice of bond counsel and counsel to the Authority with respect to any such insertions, deletions or changes therein.

SECTION 4. The Authority hereby specifically finds and declares that the findings of the Authority set forth in the Loan 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 from time to time, shall be as provided in each Bond Indenture, as finally executed.

SECTION 6. The Underwriter is hereby authorized to distribute a Preliminary Official Statement for each issue of the Bonds to persons who may be interested in the purchase of such Bonds offered in such issuance, it being understood that, at the discretion of the Underwriter (in consultation with the Borrower), a preliminary official statement may not be used with respect to any series of Bonds. The Underwriter is hereby directed to deliver the final official statements (the “Official Statements”), if applicable to any series of the Bonds, to all actual purchasers of such Bonds.

SECTION 7. The Bonds, when executed, shall be delivered to the Bond Trustee for authentication by the Bond Trustee. The Bond Trustee is hereby requested and directed to authenticate the Bonds by executing the Bond Trustee’s Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to or upon direction of the Underwriter or purchaser 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 or purchaser, as applicable, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

SECTION 8. Each officer of the Authority is hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things which they may deem necessary or advisable in order to consummate the issuance, sale, and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution and the Bond Indentures, Loan Agreements, Bond Purchase Contracts and Official Statements. The Authority hereby

approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: (a) a tax certificate and agreement and other certifications; and (b) any agreement or commitment letter with respect to the provisions of bond insurance, a letter of credit, a surety bond, a credit facility and/or a liquidity facility for the Bonds.

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

Prior Project:

The financing of the acquisition, installation and other capitalizable expenditures of an information system installed at or adjoining one or more of the following locations: 2100 Douglas Blvd. and 1101 Creekside Ridge Dr., each in Roseville, CA.

The financing and refinancing of the acquisition, construction, rehabilitation, remodeling and other capital projects (including funded interest during construction) with respect to the health facilities owned and operated by the following nonprofit public benefit corporations and located at the following addresses: (i) Feather River Hospital, 5974 Pentz Road and 5734 Canyon View Drive, both in Paradise, (ii) Glendale Adventist Medical Center, 1509 Wilson Terrace, Glendale, (iii) Hanford Community Medical Center, 450 Greenfield Avenue, 1100, 823, 210, and 1276 W. Lacey Boulevard, 1250 and 430 North Irwin Street, 470 North Greenfield Avenue, 1st and 2nd Floors, 213 West Center Street, 460 Kings County Drive, Suite 105, 1025 North Douty, and 7th Street & Mall Drive, all in Hanford, and 250 East Hanford/Armona Road, Suites A and C, Lemoore, (iv) Paradise Valley Hospital, 2400 East Fourth Street, National City, (v) St. Helena Hospital, 650 Sanitarium Road and 5 Woodland Avenue, both in Deer Park, 525 and 530 Oregon Street, Vallejo, 1530 Railroad Avenue and 1299 Pine Street, both in St. Helena, and 935 Trancas Street, Suite 4B and 3273 Claremont Way, Suite 201, both in Napa, (vi) San Joaquin Community Hospital, 2615 Eye Street, Bakersfield, (vii) Simi Valley Hospital & Health Care Services, 2975 North Sycamore Drive, Simi Valley, (viii) Sonora Community Hospital, 1 South Forest Road, 900 and 1000 Greenley Road, 179 South Fairview Lane and 940 Silva Lane, Building D, Suite 1, all in Sonora, (ix) Ukiah Adventist Medical Center, 275 Hospital Drive, Ukiah, (x) White Memorial Medical Center, 1720 Cesar E. Chavez Avenue, Los Angeles, (xi) Adventist Health System/West, 2100 Douglas Boulevard and 1101 Creekside Ridge, both in Roseville, (xii) Redbud Community Hospital (Adventist Health Clearlake Hospital, Inc.), Avenue 18 at Highway 53, 15630 18th Ave. – Highway 53, 15666 18th Ave., 14880 Olympic Drive, and 15250 Lakeshore Drive, all in Clearlake, 801 11th St. #3B, Lakeport, 13050 High Valley Road, Clearlake Oaks, 9245 Highway 53, Lower Lake, 4241 Church Street, Kelseyville, and 21337 Bush Street, Middletown, (xiii) South Coast Medical Center, 31872 Coast Highway and 32392 Pacific Coast Highway #100, both in Laguna Beach, 5 Journey, Suite 120, Aliso Viejo, 25500 Rancho Niguel Road, Suite 120, Laguna Niguel, and 23041 Avenida de la Carlota, Suites 200 and 260, Laguna Hills, and (xiv) Selma Community Hospital, 1041, 1141 and 1142 Rose Avenue, Selma, and 2440 West Tahoe, Caruthers.

New Project:

To finance or refinance the cost of acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of certain health facilities, including the construction and equipping of a replacement hospital, the expansion and remodeling of an emergency department and intensive care unit, the purchase of equipment for an imaging center, the acquisition of various clinical information technology projects, the construction of a new women's hospital, and the construction and equipping of a gastrointestinal center at one or more of the following locations: Adventist Health System/West, 2100 and 2130 Douglas

Boulevard, 2130 Professional Drive, 1025, 1075 and 1101 Creekside Ridge Drive, each in Roseville, CA; Feather River Hospital, 5974 Pentz Road, Paradise, CA; Ukiah Adventist Hospital d/b/a Ukiah Valley Medical Center, 275 Hospital Drive, Ukiah, CA; San Joaquin Community Hospital, 2615 Eye Street, Bakersfield, CA; and Willits Hospital, Inc. dba Frank R. Howard Memorial Hospital, One Marcela Drive, Willits, CA.