CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Sutter Health (“Sutter”) 2200 River Plaza Drive Sacramento, CA 95833 Sacramento County	**Amount Requested:** **Date Requested:** **Requested Loan Term:** **Resolution Number:**	$450,000,000 March. 28, 2013 Up to 40 years 388
Project Sites:	See Exhibit 1		
Facility Types:	General acute, sub-acute and outpatient care		
Eligibility:	Government Code 15432(d) (1)		
Prior Borrower:	Yes (date of last CHFFA issue, 2011)		
Obligated Group:	The Sutter Health Obligated Group (the “Obligated Group”), the central financing vehicle for the Sutter Health system, is identified in Exhibit 5.		

Background: Sutter, a California nonprofit public benefit corporation, is the “parent” of the Sutter Health system (comprised of Sutter Health and its affiliated health care organizations) (the “System”), which operates primarily in Northern California. The System provides a broad range of health care services, including acute, sub-acute, long-term, home health, and outpatient care, as well as physician delivery systems. These services are provided through an integrated health care delivery approach which gives the System the ability to deliver a full range of health care products and services to the communities it serves. Sutter had 7,325,962 outpatient visits in FY 2012. See Exhibit 3 for more details.

Use of Proceeds: Bond proceeds will be used to finance three capital projects, an acute care hospital and two medical office clinics including site improvements.

Type of Issue:	Negotiated public offering with fixed rate bonds (expected minimum denominations of $5,000) and/ or variable rate bonds (expected minimum denominations of $100,000 and multiples of $5,000 in excess thereof or denominations of $5,000 if issued as “put bonds”)
Expected Credit Rating:	AA-/Aa3/AA-; S&P /Moody’s/ Fitch
Financing Team:	*Please see Exhibit 2 to identify possible conflicts of interest*

Financial Overview: The Obligated Group’s income statement appears to exhibit solid and strong operating results over the review period from FY 2010 to FY 2012. The Obligated Group’s financial strength appears solid with an operating proforma debt service coverage ratio of 4.70x.

Estimated Sources of Funds:			**Estimated Uses of Funds:**		
Par amount of bonds	$	450,000,000	Project Fund	$	450,000,000
Equity Contribution		4,500,000	Financing Costs		4,500,000
Total Estimated Sources	$	454,500,000	**Total Estimated Uses**	$	454,500,000

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.

Staff Recommendation: Staff recommends the Authority approve Resolution Number 388 in an amount not to exceed $450,000,000 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.

I. PURPOSE OF FINANCING:

Sutter has a capital expenditure plan including projects for hospital facility replacements, expansions and renovations, information technology, seismic safety improvements and related expenditures for years 2012-2015. Sutter seeks to issue $450 million in fixed or variable rate revenue bonds for the construction of a replacement acute care hospital and two medical office clinics including site improvements.

Project Fund**...** ***$450,000,000***

The construction projects are in progress and of the $450 million, approximately $250 million will be used for reimbursements.

- **Sutter Medical Center of Santa Rosa Acute Care Hospital......** $150,000,000
  Construction of a new 70-bed, 125,700 square foot, two-story, state-of-the-art replacement acute care hospital, which is expected to be completed by June 2014. The hospital will provide a full range of care and services including: intensive care, emergency services, obstetrics, nursery care and level III neonatal intensive care, medical and surgical services, comprehensive cardiac services, supporting ancillary services, and a full range of women's reproductive health services. Sutter expects this new hospital to enhance every aspect of its delivered quality care.

- **Palo Alto Medical Foundation- Sunnyvale Medical Clinic.......** 130,000,000
  Construction of a 120,000 square foot, three-story, modernized medical office clinic above two floors of underground parking and a two-level above ground parking structure, which is expected to be completed by May 2013. This building will replace a 55 year old medical building and will house obstetrics and gynecology services.

- **Palo Alto Medical Foundation- San Carlos Medical Clinic......** 170,000,000
  Construction of a 190,000 square foot, three-story, state-of-the-art, full service medical office clinic with multi-specialty, urgent care and ambulatory surgery center and a 790,000 square foot campus with site improvements including a four-level parking structure, which is expected to be completed by July 2014.

Financing Costs**...** ***4,500,000***

Estimated underwriter's discount	$2,250,000
Estimated cost of issuance	2,250,000

Total Estimated Uses of Funds**...** ***$454,500,000***

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

Sutter is a Member of the Obligated Group that currently consists of thirteen affiliated California nonprofit public benefit corporations, each of which is jointly and severally obligated under a master trust indenture with respect to payments on CHFFA bonds and other parity debt. Sutter is the borrower under the loan agreement with CHFFA and acts on behalf of the other Obligated Group Members. All covenants below are applicable to each Member of the Obligated Group. There are also protective tests limiting Members from being added to or withdrawing from the Obligated Group if the change would result in a significant reduction of the financial strength of the Obligated Group.

After reviewing Sutter's current finances, Sutter's prior bond transactions, and considering what the market will support, the financing team concluded the below listed covenants should be applicable to this transaction. The team notes these covenants are consistent with covenants that have applied to Sutter's prior bond transactions and that Sutter's current financial situation does not suggest additional covenants should be required.

<u>The following covenants are applicable to this transaction</u>.

Unconditional Promise to Pay. *Sutter agrees to pay the Bond Trustee all amounts required for principal, interest or redemption premium, if applicable, and other payments and expenses designated in the Loan Agreement. The Obligated Group guarantees all such payments under a master indenture obligation. All Revenues (which will include payments by Sutter under the Loan Agreement and payments by the Obligated Group) and any other amounts held in a designated fund or account under the Bond Indenture are pledged to secure the full payment of the Bonds.*

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

Negative Pledge Against Prior Liens. *Each Obligated Group Member agrees not to create, assume or permit any Lien upon the Gross Revenues or their respective Property other than Permitted Encumbrances.*

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

Debt Service Coverage Requirement. *The Master Indenture contains a debt service coverage requirement based on 1.10 times Maximum Annual Debt Service. A debt service coverage requirement is a ratio measuring ability to make interest and principal payments as they become due by assessing the amount of revenue available to meet 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.*

Disposition of Cash and Property Limitations. *Each Obligated Group Member agrees not to sell, lease or dispose of any property, plant or equipment or liquid assets unless authorized by various limiting measures set out in the Master Indenture.*

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

There will not be a debt service reserve account pledged to these bonds.

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

III. FINANCIAL STATEMENTS AND ANALYSIS:

SUTTER HEALTH OBLIGATED GROUP
Combined Balance Sheets
($ in millions)

	As of December 31, 2012	2011	2010
Assets			
Current assets:			
Cash and cash equivalents	$ 371	$ 248	$ 325
Short-term investments	2,606	2,531	1,818
Other current assets	1,425	1,414	1,565
Total current assets	4,402	4,193	3,708
Non-current investments	546	907	705
Property, plant and equipment, net	6,165	5,600	5,172
Other assets	334	295	430
Total assets	$ 11,447	$ 10,995	$ 10,015
Liabilities and net assets			
Current liabilities:			
Accounts payable & accrued expenses	$ 1,222	$ 1,117	$ 1,245
Current portion of long-term obligations	16	367	71
Total current liabilities	1,238	1,484	1,316
Non-current liabilities:			
Long-term obligations, less current portion	2,994	3,039	2,421
Other	599	577	528
Net assets:			
Unrestricted controlling [(b)]	6,485	5,782	5,629
Unrestricted noncontrolling[(b)]	54	42	37
Temporarily restricted	64	58	72
Permanently restricted	13	13	12
Total net assets	6,616	5,895	5,750
Total liabilities and net assets	$ 11,447	$ 10,995	$ 10,015

Financial Ratios:

	Proforma [(a)] FYE December 31, 2012	2012	2011	2010
Debt Service Coverage (x) -- Operating	4.70	12.08	8.08	9.36
Debt Service Coverage (x) -- Net	5.39	13.86	7.71	10.66
Debt/Unrestricted Net Assets (x)	0.58	0.46	0.59	0.44
Margin (%)		6.49	8.11	8.44
Current Ratio (x)		3.56	2.83	2.82

[(a)] Recalculates FY 2012 audited results to include the impact of this proposed financing and the taxable portion to be issued separately.
[(b)] As of December 31, 2010, Sutter adopted the new GAAP requirement for the accounting of noncontrolling interest. Sutter has 25 consolidating joint ventures that require Sutter to report the portion of the unrestricted net assets that belong to "noncontrolling" owners to be separated and reflected as unrestricted noncontrolling net assets.

SUTTER HEALTH OBLIGATED GROUP
Combined Statements of Operations and Changes in Net Assets
($ in millions)
(Unrestricted)

	For the Year Ended December 31,		
	2012	2011	2010
Operating revenues:			
Patient service revenues less provision for bad debts	$ 7,961	$ 7,524	$ 7,340
Capitation revenues	925	942	890
Contributions	5	5	5
Other	314	304	279
Total operating revenues	9,205	8,775	8,514
Operating expenses:			
Salaries and employee benefits	4,171	3,977	3,887
Purchased services	1,997	1,792	1,596
Supplies	988	982	950
Depreciation and amortization	454	450	414
Capitated purchased services	247	252	194
Rentals and leases	114	115	115
Interest	72	83	65
Insurance	55	79	70
Other	510	333	504
Total operating expenses	8,608	8,063	7,795
Income from operations	597	712	719
Investment income	96	143	117
Change in net unrealized gains and loss on investments classified as trading	111	(159)	88
Income	804	696	924
Less income attributable to noncontrolling interests	(41)	(41)	(38)
Income attributable to Sutter Health	763	655	886
Unrestricted net assets:			
Change in net unrealized gains and (losses) on investments classified as other-than-trading	6	(11)	3
Net assets released from restrictions for equipment acquisition	11	20	9
Donated long-lived assets	-	-	2
Pension-related changes other than net periodic pension cost	35	(478)	35
Transfers between entities, net	(118)	(54)	(43)
Other	6	21	5
Increase in unrestricted controlling net assets	703	153	897
Unrestricted controlling net assets, beginning of period	5,782	5,629	4,732
Unrestricted controlling net assets, end of the period	$ 6,485	$ 5,782	$ 5,629
Increase in unrestricted noncontrolling net assets	12	5	6

Obligated Group Payer Source

Gross patient revenue	Percent
Medicare	40.8
Medi-Cal	17.3
Commerical Programs	36
Other Payers	5.9
Total	**100**

The audited, combined financial statements of the Obligated Group were analyzed in this section. The Obligated Group comprises approximately 92% of the total assets and 96% of the total revenues of the combined financials.

Financial Discussion – Statement of Activities (Income Statement)

The Obligated Group's income statement appears to exhibit solid and stable operating results during the review period FY 2010 to FY 2012.

The Obligated Group's solid operating margins are 8.44%, 8.11%, and 6.49% in FY 2010, FY 2011, and FY 2012, respectively. Total revenues appear to have grown by approximately 8.1% over the review period from approximately $8.5 billion in FY 2010 to $9.2 billion in FY 2012 while the Obligated Group's total expenses appear to have increased by approximately 10.4%, from $7.8 billion in FY 2010 to $8.6 billion in FY 2012.

Particular Facts to Note:

- According to management, the increase in revenues can primarily be attributed to supplemental payments received from the Hospital Provider Fee Program[1] and increased outpatient visits. The Obligated Group's outpatient visits increased by approximately 9.1% from 6,717,137 in FY 2010 to 7,325,962 in FY 2012.

- According to management, total expenses appear to have increased primarily due to increases in salaries and employee benefits, purchased services, and capitated purchased services. Purchased services and capitated purchased services increased due to the rise in medical group compensations and professional fees and the addition of a new division within the Palo Alto Medical Foundation in FY 2010.

- The Obligated Group's investment income fluctuated over the review period from $117 million to $143 million to $96 million in FY's 2010, 2011, and 2012 as well as changes in net unrealized investments fluctuated from $88 million to a negative $159 million to $111 million, respectively. The Obligated Group's investments are highly dependent on market conditions and have shown volatility in the past and may continue to show volatility in the future.

- Sutter had a large loss in pension-related changes in FY 2011 of approximately $478 million due to an unrecognized loss in the retirement plan. According to management, the large negative swing in FY 2011 was due primarily to the poor market returns in the pension plan. The small improvement in FY 2012 was due to strong investment results and improvements in actuarial assumptions and data.

- According to management, the Obligated Group has an investment policy that seeks to balance investment return with the risk of volatility and as such has set its asset allocation target at 37% equities, 54% fixed income, 2% real estate, 2% alternative investments, and 5% commodities in FY 2012.

[1] Hospital Provider Fee Program: was established in 2009 and imposed a provider fee on certain California general acute care hospitals that, combined with federal matching funds, are used to provide supplemental payments to certain hospitals.

<u>Financial Discussion – Statement of Financial Position (Balance Sheet)</u>

The Obligated Group's financial strength appears solid with an operating proforma debt service coverage ratio of 4.70x.

The Obligated Group's balance sheet appears to have continued growth over the review period. Total net assets increased from approximately $5.8 billion in FY 2010 to $6.6 billion in FY 2012, an increase of approximately 15% due to operating income and investment income. The operating debt service coverage ratio for FY 2012 appears to be a solid 12.08x, and with the proposed Authority financing as well as a separate taxable portion, the operating proforma debt service coverage ratio appears to remain solid at 4.70x, indicating that the Obligated Group can likely manage the additional debt.

<u>Particular Facts to Note:</u>

- According to management, short-term investments significantly increased over the review period from $1.8 billion in FY 2010 to $2.6 billion in FY 2012 due to the investment of income earned from operations.

- According to management, property, plant and equipment increased by approximately 19% from approximately $5.2 billion in FY 2010 to $6.2 billion in FY 2012 due to the Obligated Group's continued investment in its facilities.

- According to management, the current portion of long-term debt was $367 million in FY 2011 due to the redemption of bonds.

- The Obligated Group's long-term obligations increased by approximately 24% from $2.4 billion in FY 2010 to almost $3.0 billion in FY 2012 due to the issuance of debt through the Authority and the California Statewide Communities Development Authority for various capital projects.

IV. DUE DILIGENCE:

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

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

- **Compliance with Seismic Regulations:** Sutter 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):** Sutter properly submitted relevant documentation addressing CEQA.

- **Religious Affiliation Due Diligence:** Sutter properly completed and submitted relevant documentation to meet the religious due diligence requirement.

- **Legal Review:** Sutter properly completed and submitted relevant documentation for the Authority's Legal Questionnaire.

- **Iran Contracting Act Certificate:** Sutter and the underwriters properly submitted the certificate to the Authority.

EXHIBIT 1

PROJECT SITES

Sutter West Bay Hospitals dba Sutter Medical Center Santa Rosa
30 Mark West Springs Rd., Santa Rosa, CA 95403

Palo Alto Medical Foundation

- **Sunnyvale Medical Clinic**
  301 Old San Francisco Road, Sunnyvale, CA 94086

- **San Carlos Medical Clinic**
  301 Industrial Road, San Carlos, CA 94070

EXHIBIT 2

FINANCING TEAM

Trustee:	Wells Fargo Bank National Association
Master 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:	Manatt, Phelps & Phillips, LLP
Underwriter(s):	Morgan Stanley Bank of America Merrill Lynch Sutter Securities, Inc.
Underwriter's Counsel:	Sidley Austin LLP
Auditor:	Ernst & Young LLP
Rating Agencies:	Moody's Investors Service Standard & Poor's Fitch Ratings

EXHIBIT 3

UTILIZATION STATISTICS

Sutter Health

The following table summarizes the Obligated Group's utilization data for the fiscal years below:

The Obligated Group
Utilization Statistics

	Fiscal Year Ended December 31,		
	2010	**2011**	**2012**
Licensed Beds - Acute Care	4,890	4,887	4,826
Licensed Beds - Long-Term Care	75	75	75
Beds in Service	4,534	4,502	4,449
Admissions (1)	206,830	205,250	202,875
Patient Days (1) - Acute Care	959,531	942,070	913,574
Patient Days - Long -Term Care	15,284	17,137	15,427
Average Length of Stay (Days)	4.6	4.6	4.5
Occupancy % (2)	58.0	57.3	56.3
Occupancy % - Long-Term Care	55.8	62.6	56.4
Emergency Room Visits (3)	785,996	785,425	798,681
Outpatients Visits	6,717,137	7,171,224	7,325,962

(1) Excludes well newborns.

(2) Based on beds in service.

(3) Does not include Emergency Room patients subsequently admitted as inpatients.

EXHIBIT 4

OUTSTANDING DEBT

As of December 31, 2012, the Obligated Group's outstanding long-term debt totaled approximately $3.0 billion, of which approximately $1.8 billion (60%) was comprised of debt issued through this Authority.

Following this proposed financing of $450 million and a separate issuance of approximately $300 million in taxable debt, the Obligated Group's total outstanding debt will equate to approximately $3.75 billion, with the amount of the Authority debt increasing to approximately $2.25 billion (60%).

EXHIBIT 5

BACKGROUND, GOVERNANCE AND LICENSURE

Background

Sutter Health ("Sutter"), a California nonprofit public benefit corporation, is the "parent" of various affiliated entities (organizations that directly or indirectly, through one or more intermediaries, are controlled by or under common control with Sutter) that operate primarily in Northern California. The affiliated entities, together with Sutter Health, comprise the Sutter Health system (the "System"), providing a full range of health care and related services through an integrated health care delivery model. Sutter Health also provides certain centralized support functions to the System, which includes the operation of a system-wide laboratory, administrative services and system initiatives throughout Northern California.

The mission of the System is to enhance the well-being of people in the communities it serves through a not-for-profit commitment to compassion and excellence in health care services. The System's vision is to lead the transformation of health care to achieve the highest levels of quality, access and affordability. At both local and regional levels, the System's goal is to be the preferred provider to its patients and customers, the best place to work, and a role model of community citizenship.

The operating corporations are affiliated entities responsible for operating health care facilities and programs, including but not limited to, acute care hospitals, medical foundations, skilled nursing facilities, home health and hospice and other continuing care operations.

Operations of most affiliated entities are consolidated into five distinct geographic regions with the remaining entities being freestanding:

- Central Valley Region: Merced, San Joaquin and Stanislaus Counties
- East Bay Region: Alameda and Contra Costa Counties
- Peninsula Coastal Region: San Mateo, Santa Clara and Santa Cruz Counties
- Sacramento Sierra Region: Amador, El Dorado, Nevada, Placer, Sacramento, Solano, Sutter, Yolo and Yuba Counties
- West Bay Region: City and County of San Francisco, and Marin, Lake, Napa and Sonoma Counties

All five geographic regions include acute care and psychiatric hospitals, skilled nursing facilities, medical foundations, fundraising foundations and a variety of specialized health care service providers.

As of December 31, 2012, the Sutter Health system included, but was not limited to:

- Thirty-one acute care facilities (two of which are acute psychiatric hospitals), four free-standing skilled nursing facilities and two free-standing chemical dependency recovery hospitals operating under 28 licenses, with a total of 5,397 licensed beds;

- Five medical foundations that contract with medical groups organized as professional corporations that account for the services of 2,499 physicians and physician extenders; and

- Fourteen home health care locations.

Obligated Group

The Obligated Group is the central financing vehicle of credit for Sutter and was formed to facilitate access to capital for Sutter Health and selected Affiliated Entities by unifying the credit of the Obligated Group Members through the Master Indenture. The schedule below lists the Obligated Group Members.

Obligated Group Members
- Eden Medical Center
- Mills-Peninsula Health Services
- Palo Alto Medical Foundation for Health Care, Research and Education
- Sutter Coast Hospital
- Sutter Central Valley Hospitals
- Sutter East Bay Hospitals
- Sutter Gould Medical Foundation
- Sutter Health
- Sutter Health Sacramento Sierra Region
- Sutter Medical Foundation
- Sutter Medical Center, Castro Valley
- Sutter Visiting Nurse Association and Hospice
- Sutter West Bay Hospitals

There are affiliated entities that are not Obligated Group Members. Only the Obligated Group Members have assumed financial obligations related to the payment or security for any bonds or any other obligations incurred under the Master Indenture.

The Members of the Obligated Group may change from time to time, and not all of the Obligated Group Members have been in the Obligated Group for all time periods shown in the utilization, operating and financial data presented.

Corporate Governance

Sutter is vested in a Board of Directors that consists of between 9 and 16 directors. One of those positions is ex-officio and is filled by the President and Chief Executive Officer of Sutter. Members are elected by the Board of Directors to serve three-year terms with a maximum of three consecutive terms.

Licensure and Memberships

All Sutter affiliated hospitals are licensed by the Department of Health Services. The Obligated Group Members that operate acute care hospital facilities participate in the Medicare program and provide a range of services to Medicare and Medi-Cal patients under various payment arrangements.

RESOLUTION NO. 388

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF REVENUE BONDS TO FINANCE AND REFINANCE PROJECTS AT THE HEALTH FACILITIES OF SUTTER HEALTH 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, Sutter Health is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Borrower"), which is the sole corporate member of various of its affiliates that own and operate health care facilities in the State of California; and

WHEREAS, the Borrower has requested that the Authority issue one or more series of its revenue bonds in an aggregate principal amount not to exceed $450,000,000, and make one or more loans of the proceeds thereof to the Borrower to finance (including by reimbursing expenditures made for such purposes) or refinance the construction, expansion, remodeling, renovation, furnishing and equipping of certain health facilities, as more particularly described in Exhibit A hereto (the "Project");

WHEREAS, to the extent required by subdivision (b) of Section 15455 of the Government Code, the Borrower has provided documentation to the Authority demonstrating, to the extent applicable, that the Project has complied with 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 (Sutter Health), Series 2013A" (the "Fixed Rate Bonds") and (b) "California Health Facilities Financing Authority Revenue Bonds (Sutter Health), Series 2013B, Series 2013C and Series 2013D" (collectively, the "Variable Rate Bonds" and, together with the Fixed Rate Bonds, the "Bonds"), in a total aggregate principal amount not to exceed $450,000,000, 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 third recital above.

SECTION 2. The Treasurer of the State of California (the "Treasurer") is hereby authorized to enter into agreements to sell the Bonds in one or more series, on one or more sale dates at any time prior to the first anniversary of the date of this Resolution, at public or private 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 facilities 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 Wells Fargo 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 Morgan Stanley & Co. LLC, on behalf of the underwriters named in each Purchase Contract as finally executed (the "Underwriter"), the Treasurer and the Authority, and approved by the Borrower, and

(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") to all actual purchasers of such Bonds.

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

SECTION 8. Each officer of the Authority is hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things which they may deem necessary or advisable in order to consummate the issuance, sale, and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution and the Bond 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) one or more tax certificates and agreements and other certifications; and (b) any agreement or commitment letter with respect to the provisions of bond insurance, a letter of credit, a surety bond, a credit facility and/or a liquidity facility for the Bonds of any series.

SECTION 9. The provisions of the Authority's Resolution No. 2013-02 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

PROJECT DESCRIPTION

To finance or refinance the cost of acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of certain health facilities that are Sutter West Bay Hospitals d/b/a Sutter Medical Center of Santa Rosa located generally at 30 Mark West Springs Road, Santa Rosa, California; San Carlos Medical Clinic and site improvements at the San Carlos Medical Clinic campus site located generally at 301 Industrial Road, San Carlos, California; and Sunnyvale Medical Clinic located generally at 301 Old San Francisco Road, Sunnyvale California.