CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant: Kaiser Foundation Hospitals ("Kaiser")
One Kaiser Plaza
Oakland, CA 94612
Alameda County

Amount Requested: $1,900,000,000
Date Requested: April 9, 2013
Requested Loan Term: Up to 40 years
Resolution Number: 390

Project Sites: See Exhibit 1
Facility Types: Acute care, outpatient services, physical therapy, emergency, health education, and pharmacy.
Eligibility: Government Code 15432(d) (1)
Prior Borrower: Yes, (last CHFFA issue - April 2011)
Guarantors: Kaiser Foundation Health Plan, Inc. ("Health Plans"), Kaiser Health Plan Asset Management, Inc. ("HPAMI"), and Kaiser Hospital Asset Management, Inc. ("HAMI").
Credit Group: The Guarantors, together with Kaiser, establish the Credit Group.

Background: Kaiser was incorporated on February 2, 1948, and is part of the health care delivery system ("System") known as the Kaiser Permanente Medical Care Program. The System includes Health Plans and subsidiaries as well as Kaiser and subsidiaries. The System provides medical, hospital and other health care services and coverage to over 9.1 million members. The number of members served in California is approximately 7.0 million.

Use of Proceeds: Bond proceeds will be used for the construction of six replacement hospitals, and a specialty medical office building, expansion of a current hospital building, and refunding its 2012 commercial paper. A list of the project sites is displayed in Exhibit 1.

Type of Issue: Negotiated public offering with fixed rate bonds (Minimum denominations of $5,000 or any integral multiple thereof) and/or variable rate/ multi-modal bonds (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 Ratings: Long-term: A+/A+; Short-term: A-1/F-1; S&P/ Fitch
Financing Team: *Please see Exhibit 2 to identify possible conflicts of interest*

Financial Overview: The System's income statement appears to exhibit improved operating results during the review period FY 2010 to FY 2012 with continued revenue growth as well as improved operating margins. The System appears to have a strong financial position with a proforma debt service coverage ratio of 6.46x.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
Par amount of bonds	$ 1,900,000,000	Project Fund	$ 1,800,000,000
Kaiser's equity contribution	11,000,000	Refunding	100,000,000
		Financing costs	11,000,000
Total Estimated Sources	$ 1,911,000,000	**Total Estimated Uses**	$ 1,911,000,000

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

Staff Recommendation: Staff recommends the Authority approve Resolution Number 390 in an amount not to exceed $1,900,000,000 subject to the conditions in the resolution, including a bond rating of at least investment grade by a nationally recognized rating agency. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Public Financial Management, Inc. the Authority's financial advisor, concur with the Authority's staff recommendation.

(CA/PD)

I. PURPOSE OF FINANCING:

Kaiser has a 10-year capital plan (2012-2021) totaling $38 billion, which includes land purchases, site preparation and construction of new hospital facilities and medical office buildings, renovations, expansions and/or seismic retrofitting of existing medical and administrative facilities. Kaiser seeks to issue $1.9 billion in fixed and/or variable rate revenue bonds for the construction of six new replacement hospitals to address seismic requirements, construction of a specialty medical office building, expansion of a current hospital building, and refunding its 2012 commercial paper. Kaiser expects an estimated net present value savings of approximately $21.3 million over the life of the refunded bonds.

Project Fund.. $1,800,000,000

Kaiser plans to use the bond proceeds for various capital projects listed below, and of the $1.9 billion, approximately $929 million will be used for reimbursements.

In order to address seismic requirements, Kaiser plans to construct six new hospitals to replace the existing hospitals which include the following:

- Oakland Medical Center
- Hayward Medical Center
- Redwood Medical Center
- South Bay Replacement Hospital
- Fontana Medical Center
- Anaheim Medical Center

Expansion of a current hospital building:

- Los Angeles Medical Center: 113,000 square foot tower with 96 Med/Surge beds, kitchen, clinical laboratory, and main entrance.

Construction of a specialty medical office building:

- Antelope Valley Medical Office Building: 136,000 square foot specialty medical office building with 66 provider offices.

Refunding.. 100,000,000

Kaiser plans to use bond proceeds to refund its 2012 commercial paper that was issued to refund Kaiser's Series 2002A bonds. The Series 2002A bond proceeds were used to finance and refinance certain capital improvement costs including the acquisition of land and construction and equipping of various health facilities.

Financing Costs	**11,000,000**

• Underwriter's discount	$9,500,000
• Estimated cost of issuance..........................	1,500,000

The financing costs are preliminary estimates that will be paid out of Kaiser's equity.

Total Estimated Uses of Funds...	**$1,911,000,000**

(INTENTIONALLY LEFT BLANK)

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

Kaiser is the Borrower under the loan agreement (the "Loan Agreement") with CHFFA. Kaiser's obligations under the Loan Agreement are jointly and severally guaranteed by the Guarantors pursuant to the guarantee agreement (the "Guarantee Agreement") with CHFFA. Kaiser and the Guarantors are referred to as the "Credit Group."

After reviewing the Credit Group's credit profile, including its current financial profile, prior bond transactions and considering what the market will support, Kaiser, Public Financial Management, Inc. ("PFM"), and the underwriters have concluded the covenants listed below align the interests of the Credit Group, CHFFA, and the investors and therefore are appropriate for this transaction. Kaiser, PFM, and the underwriters note these covenants are consistent with covenants that have applied to the Credit Group's prior bond transactions and that the Credit Group'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. *Kaiser agrees to pay the Trustee all amounts required for principal, interest or a redemption premium, if applicable, and other payments and expenses designated in the Loan Agreement. The Guarantors guarantee all such payments under the Guarantee Agreement. All Revenues (which will include payments by Kaiser under the Loan Agreement and payments by the Guarantors under the Guarantee Agreement) and any other amounts held in a designated fund or account under the Indenture are pledged to secure the full payment of the Bonds (except certain payments specifically for the benefit of the Trustee and Authority).*

Consolidation, Merger, Sale or Transfer of Assets. *Each of Kaiser and the Guarantors covenant not to dissolve, sell or otherwise dispose of all or substantially all of its assets or merge into another corporation or permit one or more other corporations to consolidate with or merge into it except upon compliance with certain conditions set forth in the Loan Agreement or Guarantee Agreement, as applicable.*

Limitation on Encumbrances. *Each of Kaiser and the Guarantors agrees not to create, assume or suffer to exist any mortgage, deed of trust, pledge, security interest, encumbrance, lien or charge of any kind (a "security interest") upon any property or revenues of any Affiliated Corporation, whether such property is now owned or hereafter acquired, unless the obligations of Kaiser under the Loan Agreement are secured prior to or equally and ratably with any indebtedness or other obligation secured by such security interest. Notwithstanding this covenant, any Affiliated Corporation may create, suffer or assume a specified list of Permitted Encumbrances.*

Limitation on Disposition of Assets. *Each of Kaiser and the Guarantors agrees not to sell, lease or otherwise dispose of any of its assets (including cash), or permit any Affiliated Corporation to sell, lease or otherwise dispose of any of its assets (including cash) in excess of the limits set forth in the Loan Agreement and the Guarantee Agreement unless the assets are disposed of at a price equal to their fair market value and the disposition proceeds are applied to the redemption of long-term indebtedness or the acquisition of additional assets.*

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

(INTENTIONALLY LEFT BLANK)

III. FINANCIAL STATEMENTS AND ANALYSIS:

Kaiser Foundation Health Plan, Inc. and Subsidiaries
and Kaiser Foundation Hospitals and Subsidiaries [a]
Combined Statements of Operations and Changes in Net Worth
(In millions)

	For the year ended December 31,		
	2012	**2011**	**2010**
Revenues: [b]			
Members' dues	$ 34,736	$ 32,977	$ 30,539
Medicare	12,396	11,376	10,743
Copays, deductibles, fees, and other	3,499	3,517	2,945
Total operating revenues	50,631	47,870	44,227
Expenses:			
Medical services	24,657	22,989	21,551
Hospital services	13,797	13,225	12,016
Outpatient pharmacy and optical services	5,212	5,060	4,667
Other benefit costs	3,170	3,017	2,939
Total medical and hospital services	46,836	44,291	41,173
Health Plan administration	2,124	1,992	1,812
Asset losses			40
Total operating expenses	48,960	46,283	43,025
Operating income	1,671	1,587	1,202
Other income and expense:			
Investment income (loss) - net	1,060	534	919
Gain on extinguishment of debt			
Interest expense	(135)	(108)	(130)
Total other income and expense	925	426	789
Net income	2,596	2,013	1,991
Pension and other retirement liability changes to other comprehensive income	(1,482)	(2,018)	(1,188)
Change in net unrealized gains (losses) on investments	610	(419)	249
Change in restricted donations	16		(2)
Change in noncontrolling interest [c]	49	31	
Change in net worth	1,789	(393)	1,050
Net worth at beginning of year	12,495	12,888	11,838
Net worth at end of year	$ 14,284	$ 12,495	$ 12,888

[a] The total net worth of the subsidiaries that are not members of the Credit Group, as a percentage of total combined net worth, was 6% in FY 2012.

[b] Payor Source

Payor Source	Percent
Members' dues	68.6%
Medicare	24.5%
Copays, deductibles, fees, and other	6.9%
Total	100%

[c] As of December 31, 2010, Kaiser adopted the new GAAP requirement for the accounting of noncontrolling interests.

Kaiser Foundation Health Plan, Inc. and Subsidiaries
and Kaiser Foundation Hospitals and Subsidiaries (a)
Combined Balance Sheets
(In millions)

	As of December 31,		
Assets	**2012**	**2011**	**2010**
Current assets:			
Cash and equivalents	$ 258	$ 195	$ 181
Short-term investments	6,267	5,876	5,974
Securities lending collateral	1,323	1,364	1,143
Broker receivables	779	1,157	1,132
Accounts receivable, net	1,485	1,460	1,076
Inventories and other current assets	1,185	864	885
Total current assets	11,297	10,916	10,391
Long-term investments	19,470	15,831	14,182
Land, buildings, equipment and software-net	21,615	19,753	18,180
Other long-term assets	431	199	96
Total assets	$ 52,813	$ 46,699	$ 42,849
Liabilities & Net Worth			
Current liabilities:			
Accounts payable and accrued expenses	$ 2,663	$ 2,311	$ 2,114
Medical claims payable	1,320	1,295	1,221
Due to associated medical groups	752	785	663
Payroll and related charges	1,419	1,455	1,191
Securities lending payable	1,323	1,364	1,143
Broker payables	1,180	1,458	1,572
Current portion of long-term debt	456	15	218
Long-term debt subject to short-term remarketing arrangements-net	1,480	1,757	1,702
Other current liabilities	1,687	1,659	1,501
Total current liabilities	12,280	12,099	11,325
Long-term debt	5,752	3,939	3,832
Physicians' retirement plan liability	4,590	3,819	3,140
Pension and other retirement liabilities	13,749	12,258	9,745
Other long-term liabilities	2,158	2,089	1,919
Total liabilities	38,529	34,204	29,961
Net worth	14,284	12,495	12,888
Total liabilities & net worth	$ 52,813	$ 46,699	$ 42,849

Financial Ratios:	**Proforma [b] FYE December 31, 2012**			
Debt service coverage (x) -- Operating	6.46	13.72	16.65	13.93
Debt service coverage (x) -- Net	6.68	14.76	6.95	13.82
Debt/Unrestricted Net Assets (x)	0.66	0.54	0.46	0.45
Margin (%)		3.30	3.32	2.72
Current Ratio (x)		0.92	0.90	0.92

[a] The total net worth of the subsidiaries that are not members of the Credit Group, as a percentage of total combined net worth, was 6% in FY 2012.

[b] Recalculates December 2012 results to include the impact of this proposed financing.

The System's financial statements were analyzed in this section and are also disclosed in the Preliminary Official Statement. The System includes Health Plans and subsidiaries as well as Kaiser and subsidiaries. Staff has also performed its typical financial analysis on the financials of the Credit Group and found them to be acceptable and consistent with the financial analysis noted for the System. The total net worth of the subsidiaries that are not members of the Credit Group, as a percentage of total combined net worth, was 6% in FY 2012.

Financial Discussion – Statement of Activities (Income Statement)

The System's income statement appears to exhibit improved operating results during the review period from FY 2010 to FY 2012 with continued revenue growth as well as improved operating margins.

The System's operating margins improved from 2.72% to 3.32% and then to 3.30% in FY 2010, FY 2011, and FY 2012, respectively. The System's total operating revenues appear to have grown by 14.5% from $44.2 billion in FY 2010 to $50.6 billion in FY 2012 while the System's expenses appear to have increased by approximately 13.8% from $43.0 billion in FY 2010 to $49.0 billion in FY 2012.

Particular Facts to Note:

- The System attributes the increase in revenues to an increase in its Members' dues revenue, which accounts for 68.6% of total revenue, and this increase was due to increases in both membership and rates.

- According to Kaiser's management, total expenses increased due to membership growth and medical cost trends.

- According to Kaiser's management, improvement in investment performance was due to improved market conditions and was consistent with performance benchmarks. Kaiser's investment policies are designed to provide liquidity and maximize yield consistent with the reasonable preservation of capital. Kaiser management approves and monitors policies regarding the credit quality of both short and long-term investments.

- As a result of the health care reform legislation, states will need to provide access to approximately 16 million new Medicaid eligible recipients in 2014. The System, as well as other large health plans and care delivery organizations, will be expected to participate in providing health care to those recipients who will be newly covered. Consistent with other health plans and care delivery organizations, Kaiser says the System is evaluating markets where it can expand services and effectively serve those populations.

Financial Discussion – Statement of Financial Position (Balance Sheet)

The System appears to have a strong financial position with a proforma debt service coverage ratio of 6.46x.

The System's balance sheet appears to continue growing with total net worth increasing from \$12.9 billion in FY 2010 to \$14.3 billion in FY 2012, an increase of approximately 11%. The System attributes the increase primarily to an increase in net income. Total cash and equivalents and short term and long-term investments grew from approximately \$20.3 billion in FY 2010 to \$26.0 billion in FY 2012 reflecting higher cash flow from operations with investment income. The operating debt service coverage ratio appears to be a solid 13.72x, and with the proposed financing, the proforma operating debt service coverage ratio appears to remain solid at 6.46x, indicating that the System can likely manage the additional debt.

Particular Facts to Note:

- According to the System, its assets increased from \$42.9 billion in FY 2010 to \$52.8 billion in FY 2012 primarily due to an increase in short and long-term investments along with a net increase in land, buildings, equipment and software-net.

- The System maintains a relatively low level of debt with its debt-to-net assets ratio equaling .54x. Its long-term debt (which includes current portion of long-term debt and long-term debt subject to short term remarketing arrangements) increased from \$5.8 billion in FY 2010 to \$7.7 billion in FY 2012 which management attributes to the issuance of debt for various capital projects.

- The System's net land, buildings, equipment and software has increased by approximately 18.9% over the review period from \$18.2 billion in FY 2010 to \$21.6 billion in FY 2012 which management attributes to its continued investment in its facilities.

- According to Kaiser's management, the significant increase in retirement and pension liabilities is primarily due to the change in the discount rate and the difference between the actual plan experience and expectations; thus, also causing the volatility in pension and other retirement liability changes as shown in the income statement.

IV. DUE DILIGENCE:

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

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

  Through Kaiser's Direct Community Benefit Investment ("DCBI") programs, its DCBI expenditures provide funding for community benefit programs that serve communities through research, community-based health partnerships, direct health coverage for low income families and collaboration with community clinics, health departments, and public hospitals. For FY 2012, DCBI expenditures were estimated at $2 billion.

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

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

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

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

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

(INTENTIONALLY LEFT BLANK)

EXHIBIT 1

PROJECT SITES

PROJECT	PROJECT ADDRESS
Hayward Medical Center	2500 Merced Street, San Leandro, CA 94577
Redwood Medical Center	1150 Veterans Blvd, Redwood City, CA 94063
Oakland Medical Center	3510 and 3600 Broadway, 275 W. MacArthur Blvd. and 3459 Piedmont Avenue, Oakland, CA 94611
Anaheim Medical Center	3440 East La Palma Avenue, Anaheim, CA 92806
Fontana Medical Center	9961 Sierra Avenue, Fontana CA 92335
Los Angeles Medical Center	4867 Sunset Boulevard, within the boundaries of Vermont Avenue, Edgemont Street and Hollywood Boulevard, Los Angeles, CA 90027
South Bay Replacement Hospital	25825 S. Vermont Avenue, bounded by Pacific Coast Highway, South Vermont Avenue and South Normandie Avenue, Harbor City, CA 90710
Antelope Valley Medical Office Building	In the vicinity of the intersection of West Avenue L and 10th Street, Lancaster, CA 93534

EXHIBIT 2

FINANCING TEAM

Trustee:	Wells Fargo Bank, N.A.
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
Co-Bond Counsel:	Lofton & Jennings
Underwriters:	Goldman, Sachs & Co., Citigroup Global Markets Inc., and/or J.P. Morgan Securities, LLC
Underwriter's Counsel:	Sidley Austin, LLP
Auditor:	KPMG, LLP
Rating Agencies:	Standard & Poor's Fitch Ratings

EXHIBIT 3

UTILIZATION STATISTICS

Kaiser does not aggregate the types of inpatient and outpatient visits that are made specifically to its hospitals or the medical clinics. Since approximately 95% of its patients are members and pay for services on a prepaid basis and because Kaiser is an integrated healthcare delivery system, the percentage of inpatient and outpatient revenues to total hospital revenue is not relevant.

The table below presents memberships as of December 31, 2010 through December 31, 2012:

As of Dec. 31,	Health Plan, Inc. Membership	Affiliated Health Plans Membership[1]	Total Membership	Medicare Membership[2]
2012	7,223,310	1,832,924	9,056,234	1,129,373
2011	7,077,384	1,847,586	8,924,970	1,051,090
2010	6,834,451	1,841,917	8,676,368	996,400

(1) Includes Kaiser Permanente Insurance Company.
(2) Reflects the combined Medicare membership for Health Plan, Inc. and the Affiliated Health Plans.

EXHIBIT 4

OUTSTANDING DEBT

Date Issued	Original Amount	Amount Outstanding As of December 31, 2012[a]	Estimated Amount Outstanding after Proposed Financing
- EXISTING LONG-TERM DEBT:			
Authority Debt:			
CHFFA, 2006 Series A	$200,000,000	$200,000,000	$200,000,000
CHFFA, 2006 Series C	325,000,000	325,000,000	325,000,000
CHFFA, 2006 Series E	175,000,000	175,000,000	175,000,000
CHFFA, 2011 Series A	50,000,000	50,000,000	50,000,000
CHFFA, 2011 Series B	50,000,000	50,000,000	50,000,000
CHFFA, 2011 Series C	50,000,000	50,000,000	50,000,000
CHFFA, 2011 Series D	54,545,000	54,545,000	54,545,000
Other Debt:		6,783,455,000	6,683,455,000
- PROPOSED NEW DEBT:			
CHFFA Series 2013			**1,900,000,000**
- TOTAL DEBT		**$7,688,000,000**	**$9,488,000,000**

[a] Includes current portion of long-term debt.

EXHIBIT 5

BACKGROUND, GOVERNANCE AND LICENSURE

Background

Kaiser was incorporated on February 2, 1948, and is part of the health care delivery system known as the Kaiser Permanente Medical Care Program.

Kaiser, as the Borrower, is obligated to make loan repayments under the Loan Agreement, and the Guarantors are obligated to make payments under the Guarantee Agreement. Kaiser and the Guarantors collectively comprise the Credit Group.

The Guarantors are comprised of Kaiser Foundation Health Plan, Inc. ("Health Plans"), Kaiser Health Plan Asset Management, Inc. ("HPAMI"), and Kaiser Hospital Asset Management ("HAMI"). Pursuant to the Guarantee Agreement, the Guarantors have agreed to comply with various financial covenants, including the limiting of encumbrances and disposing of assets.

Health Plans, (the health plan organization serving members in California and Hawaii), includes approximately 80% of Kaiser Permanente members. HPAMI and HAMI were incorporated as nonprofit corporations in 1998 in order to own certain capital assets and lease such assets for use at the facilities of Health Plans and Kaiser respectively.

Kaiser Permanente

Kaiser Permanente is the trade name for the integrated health care delivery system that delivers health care services through an integrated system of health plans, hospitals and physician groups that are related through parent/subsidiary relationships or contractual affiliation relationships operating under the system known as the Kaiser Permanente Medical Care Program ("Kaiser Permanente").

Kaiser Permanente consists of the following entities: Kaiser, HAMI, HPAMI, Health Plans, five other health plan organizations (the "Affiliated Health Plans" and, together with Health Plans, the "Health Plan Organizations"), eight independent medical groups (the "Permanente Medical Groups") and several other entities that engage in activity under the system known as the Kaiser Permanente Medical Care Program.

The Permanente Medical Groups are independent for-profit professional entities, which provide physician services to members of Health Plans and the Health Plan Organizations through mutually exclusive contractual arrangements. None of Kaiser, HAMI, HPAMI or the Health Plan Organizations has any shareholder or partnership interest in any of the Permanente Medical Groups.

Most Kaiser Permanente members enroll under membership agreements between their employers and one of the Health Plan Organizations. Services are provided principally at facilities owned by Kaiser and the Health Plan Organizations. In Colorado, Georgia, the

Mid-Atlantic States and Ohio regions, Kaiser does not own or operate hospitals. Rather, it assumes the responsibility to arrange and pay for hospital services required by Health Plan Organization members, usually at local community hospitals. Physician services are provided by physicians affiliated with one of eight Permanente Medical Groups that contract with one of the Health Plan Organizations by mutually exclusive contracts or by community physicians that are under contract with one of the Permanente Medical Groups.

Health Plan Organizations

The Health Plan Organizations are nonprofit corporations that enter into membership contracts with individuals and groups to arrange covered medical services on a predominantly prepaid basis. Each Health Plan Organization contracts with Kaiser to provide or arrange hospital services. Benefits under membership contracts typically include hospital care, professional care in hospitals and physicians' offices, imaging and laboratory services, physical therapy, emergency ambulance service, health education and certain prescription drugs.

Each Health Plan Organization contracts exclusively with one or more of the Permanente Medical Groups to provide or arrange professional and related medical care covered by membership contracts. Permanente Medical Groups are principally organized as professional corporations. In California, the responsibilities of the two Permanente Medical Groups include employment of allied health professional and administrative personnel.

None of the Health Plan Organizations (other than Health Plans), the other subsidiaries of Health Plans, other subsidiaries of Kaiser or any of the Permanente Medical Groups has any obligation to make payments with respect to the Bonds.

Corporate Governance

Kaiser and Health Plans, both California nonprofit public benefit corporations, are non-stock corporations with common boards of directors and senior management. Control over the affairs of each corporation is vested in its board of directors, the members of which are elected by the board by class for three-year terms (except for up to two ex officio members and a member of senior management designated by the Chief Executive Officer who are elected each year). The Affiliated Health Plans, all nonprofit corporations, are also non-stock corporations, and Health Plans is the sole corporate member of the Affiliated Health Plans. All or a majority of the directors of the Affiliated Health Plans are elected by the board of directors of Health Plans. Kaiser and Health Plans are the sole corporate members of HAMI and HPAMI, respectively, and appoint their boards of directors.

Licensure and Memberships

All Kaiser California patient care facilities are licensed and accredited to the extent required by law. Kaiser participates in Medicare and Medi-Cal programs.

RESOLUTION NO. 390

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

WHEREAS, the California Health Facilities Financing Authority (the "Authority"), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Health Facilities Financing Authority Act (the "Act") to issue revenue bonds and 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, Kaiser Foundation Hospitals is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Borrower"), and is a participating health institution (as defined in the Act); and

WHEREAS, the Borrower is affiliated with Kaiser Foundation Health Plan, Inc. ("Health Plan, Inc."), Kaiser Hospital Asset Management, Inc. ("HAMI"), and Kaiser Health Plan Asset Management, Inc. ("HPAMI" and, collectively with Health Plan, Inc. and HAMI, the "Guarantors" and, each individually, a "Guarantor"), each of which is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California; and

WHEREAS, California Statewide Communities Development Authority has previously issued its Kaiser Permanente Revenue Bonds, Series 2002A(the "Prior Bonds"), and loaned (the "Prior Loan") the proceeds thereof to the Borrower to finance the acquisition, construction, renovation, equipping and performance of capital improvements on certain health facilities as more particularly described under the caption "Prior Project" in Exhibit A hereto (the "Prior Project"); and

WHEREAS, the Borrower has previously issued Kaiser Foundation Hospitals Commercial Paper Notes (the "Prior Commercial Paper") in the principal amount of $100,000,000, all of which is currently outstanding; and

WHEREAS, the Prior Commercial Paper was indebtedness incurred by the Borrower in connection with the refinancing of 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 $1,900,000,000, and make one or more loans of the proceeds thereof to the Borrower to (i) refinance the Prior Commercial Paper, and (ii) finance, including reimbursement, the costs of the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of 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

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 (a) the "California Health Facilities Financing Authority Kaiser Permanente Revenue Bonds, Series 2013A" (the "Fixed Rate Bonds") and (b) the "California Health Facilities Financing Authority Kaiser Permanente Revenue Bonds, Series 2013B," "California Health Facilities Financing Authority Kaiser Permanente Revenue Bonds, Series 2013C," "California Health Facilities Financing Authority Kaiser Permanente Revenue Bonds, Series 2013D," and "California Health Facilities Financing Authority Kaiser Permanente Revenue Bonds, Series 2013E" (collectively, the "Variable Rate Bonds" and, together with the Fixed Rate Bonds, the "Bonds"), in a total aggregate principal amount not to exceed $1,900,000,000, 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 seventh 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 private sale, 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 following documents:

(i) a Loan Agreement relating to the Fixed Rate Bonds and a Loan Agreement relating to the Variable Rate Bonds (each a "Loan Agreement and collectively, the "Loan Agreements"), each between the Authority and the Borrower,

(ii) an Indenture relating to the Fixed Rate Bonds and an Indenture relating to the Variable Rate Bonds (each, an "Indenture" and collectively, the "Indentures", each between the Authority and Wells Fargo Bank, National Association, as bond trustee (the "Trustee"),

(iii) a Guarantee Agreement relating to the Fixed Rate Bonds and a Guarantee Agreement relating to the Variable Rate Bonds (each a "Guarantee Agreement and collectively, the "Guarantee Agreements"), each between the Authority and the Guarantors,

(iv) a Bond Purchase Contract relating to the Fixed Rate Bonds and a Bond Purchase Contract relating to the Variable Rate Bonds, in each case including the exhibits thereto (each, a "Bond Purchase Contract" and collectively, the "Bond Purchase Contracts"), each among Goldman, Sachs & Co. (the "Representative"), acting on its own behalf and on behalf of Citigroup Global Markets Inc. and J.P. Morgan Securities LLC (collectively with the Representative, the "Underwriters"), the Treasurer and the Authority, and approved by the Borrower and the Guarantors, and

(v) a Preliminary Official Statement relating to the Fixed Rate Bonds and a Preliminary Official Statement relating to the Variable Rate Bonds (each, a "Preliminary Official Statement" and collectively, 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 Indentures, the Guarantee Agreements and the Bond Purchase Contracts and by delivery thereof in the case of the Preliminary Official Statement. 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 Indenture, as finally executed.

SECTION 6. The Underwriters are 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 Underwriters (in consultation with the Borrower), a preliminary official statement may not be used with respect to any series of Bonds. The Underwriters are 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 Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to or upon direction of the Representative 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 Representative, 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 Indentures, Loan Agreements, Guarantee 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. 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

Prior Project:

The Prior Project includes the acquisition, construction, renovation, equipping and performance of capital improvements on certain health facilities located within the territorial limits of the Cities of Downey, Roseville, Sacramento, Santa Clara, Stockton and Vallejo and the County of San Mateo and financed by the Prior Loan.

New Project:

The New Project includes the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities (as defined in the Act):

Hayward Medical Center, an acute care hospital at 2500 Merced Street, San Leandro, CA;

Oakland Medical Center, an acute care hospital at 3510 and 3600 Broadway, 275 W. MacArthur Blvd. and 3459 Piedmont Avenue, Oakland, CA;

Anaheim Medical Center, an acute care hospital at 3440 East La Palma Avenue, Anaheim, CA;

Fontana Medical Center, an acute care hospital at 9961 Sierra Avenue, Fontana CA;

Redwood Medical Center, an acute care hospital within the boundaries of Veterans Boulevard, Maple Street, Marshall Street and Walnut Street, each in Redwood City, CA;

Los Angeles Medical Center, an acute care hospital at 4867 Sunset Boulevard, within the boundaries of Vermont Avenue, Edgemont Street and Hollywood Boulevard, Los Angeles, CA;

South Bay Replacement Hospital, an acute care hospital located at 25825 S. Vermont Avenue, bounded by Pacific Coast Highway, South Vermont Avenue and South Normandie Avenue, Harbor City, CA; and

A specialty medical office building in the vicinity of the intersection of West Avenue L and 10th Street, Lancaster, CA.