

**CHFFA REVENUE BOND FINANCING PROGRAM  
EXECUTIVE SUMMARY**

<p><b>Applicant:</b> Providence Health System - Southern California          (“PHS – Southern California”)          1801 Lind Ave. SW, #9016          Renton, WA 98057 (King County)          (Corporate headquarters)</p> <p><b>Project Sites:</b> See Exhibit 1</p> <p><b>Facility Types:</b> Acute care, skilled nursing, rehabilitation, outpatient, home health, radiology, administrative</p> <p><b>Eligibility:</b> Government Code 15432(d)(1) and (d)(3)</p> <p><b>Prior Borrower:</b> Yes (date of last CHFFA issue, 2009)</p> <p><b>Obligated Group:</b> The Members of the Providence Health &amp; Services Obligated Group (“Providence”) are identified in Exhibit 5.</p>	<p><b>Amount Requested:</b> \$149,705,000</p> <p><b>Date Requested:</b> June 14, 2013</p> <p><b>Requested Loan Term:</b> Up to 30 Years</p> <p><b>Resolution Number:</b> 392</p>																
<p><b>Background:</b> Providence is a not-for-profit health system headquartered in Renton, Washington. Providence’s mission is to provide quality care that is accessible to everyone in the communities they serve, especially the poor and vulnerable, and carry on the work started by the Sisters of Providence more than 155 years ago. Providence owns and operates health care facilities and service providers primarily in the greater metropolitan areas of Anchorage, Alaska; Everett, Seattle, Edmonds, Spokane, and Olympia, Washington; Missoula, Montana; Portland and Medford, Oregon; and Los Angeles, California. (See Exhibit 3 for utilization statistics and Exhibit 5 for additional background, governance and licensing information).</p>																	
<p><b>Use of Proceeds:</b> Bond proceeds will be used to refund a portion of the CHFFA/Providence Health &amp; Services Series 2008C Fixed Rate Bonds. PHS – Southern California expects to achieve approximately \$9 million in net present value savings from the proposed refunding over the life of the bonds due to the lower interest rates expected.</p>																	
<p><b>Type of Issue:</b> Negotiated public offering with fixed rate bonds (expected minimum denominations of \$5,000)</p> <p><b>Expected Credit Rating:</b> Aa2/AA/AA Moody’s/S&amp;P/Fitch</p> <p><b>Financing Team:</b> <i>Please see Exhibit 2 to identify possible conflicts of interest</i></p>																	
<p><b>Financial Overview:</b> Providence’s income statement appears to exhibit solid positive operating results over the review period with adequate operating margins and continued revenue growth. Providence appears to have a solid financial position with an operating proforma debt service coverage ratio of 5.48x.</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: left;"><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;">\$ 149,705,000</td> <td style="width: 30%;">Refunding</td> <td style="width: 20%; text-align: right;">\$ 144,667,145</td> </tr> <tr> <td>Original Issue Discount</td> <td style="text-align: right;">(2,043,564)</td> <td>Financing Costs</td> <td style="text-align: right;">2,994,291</td> </tr> <tr> <td><b>Total Estimated Sources</b></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;"><b>\$ 147,661,436</b></td> <td><b>Total Estimated Uses</b></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;"><b>\$ 147,661,436</b></td> </tr> </tbody> </table>		<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>		Par Amount of Bonds	\$ 149,705,000	Refunding	\$ 144,667,145	Original Issue Discount	(2,043,564)	Financing Costs	2,994,291	<b>Total Estimated Sources</b>	<b>\$ 147,661,436</b>	<b>Total Estimated Uses</b>	<b>\$ 147,661,436</b>
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<p><b>Legal Review:</b> Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, Savings Pass Through, Seismic, , and the Iran Contracting Act Certificate documentation. All documentation satisfies the Authority’s requirements.</p>																	
<p><b>Staff Recommendation:</b> Staff recommends the Authority approve Resolution Number 392 in an amount not to exceed \$149,705,000 subject to the conditions in the resolution, including a rating of at least investment grade by a nationally recognized rating agency. Macias Gini &amp; 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:**

PHS – Southern California seeks to issue \$149,705,000 in CHFFA Fixed Rate Revenue Bonds Series 2013 for partial refunding of prior CHFFA bonds that were used to remodel, purchase equipment, refund prior bonds, and refinance a loan provided by US Bank. PHS – Southern California expects to achieve approximately \$9 million in net present value savings from the proposed refunding over the life of the bonds.

***Refunding* ..... \$144,667,145**

***CHFFA/ Providence Health & Services Series 2008C Fixed Rate Bonds***

Proceeds of these bonds were used to remodel, purchase equipment, refund the CHFFA Series 1998 Bonds, and to refinance interim financing provided by US Bank. The original bond proceeds were used for the following facilities:

- Providence Holy Cross Medical Center;
- Providence St. Joseph Medical Center;
- Little Company of Mary Health Services;
- Providence Little Company of Mary Medical Center Torrance (formerly known as Little Company of Mary Hospital);
- Little Company of Mary Hospital Pavilion;
- Little Company of Mary Home Care;
- Little Company of Mary Ambulatory Services (doing business as Del Amo Diagnostic Center);
- Providence Little Company of Mary Medical Center San Pedro (formerly known as Little Company of Mary – San Pedro Hospital); and
- Providence Tarzana Medical Center.

See Exhibit 1 for the location of each facility.

***Financing Costs* ..... 2,994,291**

Estimated underwriter’s discount..... \$1,497,146  
Estimated cost of issuance ..... 1,497,145

***Total Estimated Uses of Funds*..... \$147,661,436**

## II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

Providence Health System – Southern California (“PHS – Southern California”) is a member of an Obligated Group which consists of PHS – Southern California and eight other affiliate Members, which operates hospitals and/or health facilities located in the States of California, Alaska, Montana, Oregon and Washington. Providence Health & Services, a Washington nonprofit corporation, is the parent corporation and a Member of the Obligated Group. All Members are jointly and severally liable on Obligations issued under the Master Trust Indenture with respect to repayments of loan amounts relating to the Authority’s bonds and other parity debt. PHS – Southern California is the borrower under the 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 such addition or withdrawal would cause the Obligated Group to be in default in the performance of certain covenants.

After reviewing the Obligated Group’s credit profile, including its current financial profile, prior bond transactions and considering what the market will support, PHS – Southern California, Public Financial Management, Inc., and the underwriter have concluded that (i) the covenants listed below align with the interests of the Obligated Group, the Authority, and the investors, (ii) such covenants are consistent with covenants that have applied to the Obligated Group’s prior bond transactions and (iii) the Obligated Group’s current financial situation does not suggest additional covenants should be required.

The following covenants are applicable to this transaction:

**Unconditional Promise to Pay.** *PHS – Southern California agrees to pay to the Bond Trustee all amounts required to pay principal, interest or redemption premium, if applicable, and other payments and expenses designated in the Loan Agreement. Each Obligated Group Member agrees to pay all such payments pursuant to a Master Indenture direct note obligation. All Revenues received by or on behalf of the Authority and any other amounts held in designated funds or accounts under the Bond Indenture are pledged to secure the full payment of the Bonds issued under the Bond Indenture.*

**Negative Pledge Against Liens.** *Each Obligated Group Member agrees not to create, incur or permit any Lien on any Property to secure Indebtedness other than Permitted Encumbrances.*

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

**Debt Service Coverage Ratio.** *The Master Indenture contains an agreement to maintain a Historical Debt Service Coverage Ratio of 1:10 to 1 or higher. A debt service coverage ratio 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.** *The ability to incur additional indebtedness is not limited by the provisions of the Master Indenture.*

**Limitations on Mergers, Consolidations, 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 Sale, Lease or Other Disposition of Property.** *Except in connection with a merger, consolidation, sale or conveyance permitted by the Master Indenture, the ability of any Credit Group Member to sell, lease or otherwise dispose of any Property is not limited by the Master Indenture.*

**Comply with SEC Rule 15c2-12.** *PHS – Southern California will take such action as is necessary to assist the underwriter in complying with SEC Rule 15c2-12. PHS – Southern California 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.**

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### III. FINANCIAL STATEMENTS AND ANALYSIS:

**Providence Health & Services  
Combined Income Statement of Operations (\$000's)**

	<b>For the year ended December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Operating revenues:			
Net patient service revenues	\$ 9,055,945	\$ 6,995,220	\$ 6,512,985
Provisions for bad debts	(389,890)	(318,334)	(290,958)
Net patient service revenues less provision for bad debts	8,666,055	6,676,886	6,222,027
Premium and capitation revenues	1,333,584	1,215,142	1,124,913
Other revenues	608,610	528,819	444,057
Total operating revenues	<u>10,608,249</u>	<u>8,420,847</u>	<u>7,790,997</u>
Operating expenses:			
Salaries and wages	4,430,130	3,402,777	3,160,451
Employee benefits	1,170,276	883,232	807,748
Purchased healthcare	733,975	694,273	651,738
Professional fees	390,427	280,550	240,248
Supplies	1,473,398	1,138,637	1,110,434
Purchased services	802,418	698,682	641,496
Depreciation	584,609	407,117	382,204
Interest and amortization	120,096	76,236	65,387
Other	698,834	600,450	401,076
Total operating expenses	<u>10,404,163</u>	<u>8,181,954</u>	<u>7,460,782</u>
Excess of revenues over expenses from operations	<u>204,086</u>	<u>238,893</u>	<u>330,215</u>
Net nonoperating gains			
Contribution from Swedish affiliation	766,252	-	-
Contribution from Facey affiliation	38,546	-	-
Loss on extinguishment of debt	(53,596)	(2,303)	-
Investment income, net	290,884	157,836	166,418
Pension settlement costs and other	(29,656)	(32,699)	(11,035)
Total net nonoperating gains	<u>1,012,430</u>	<u>122,834</u>	<u>155,383</u>
Excess of revenues over expenses	1,216,516	361,727	485,598
Net assets released from restriction for capital	17,460	16,909	23,751
Change in noncontrolling interests in consolidated joint ventures	11,232	19,215	43,410
Pension related changes	(2,862)	(129,236)	(123,290)
Contributions, grants, and other	(28,280)	542	2,264
Increase in unrestricted net assets	1,214,066	269,157	431,733
Unrestricted net assets, beginning of year	5,178,979	4,909,822	4,478,089
Unrestricted net assets, end of year	<u>\$ 6,393,045</u>	<u>\$ 5,178,979</u>	<u>\$ 4,909,822</u>

<u>Net patient service revenues</u>	<u>Percent</u>
Commercial and other insurance	50
Medicare	34
Medicaid	12
Self-pay	4
<u>Total</u>	<u>100</u>

**Providence Health & Services**  
**Combined Balance Sheets (in \$000's)**

<b>Assets</b>	<b>December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 706,664	\$ 378,521	\$ 527,703
Short-term management-designated investments	452,082	417,210	358,307
Assets held under securities lending	51,220	86,987	139,920
Accounts receivable, less allowance for bad debts	1,261,094	935,604	845,842
Other receivables, net	271,133	213,527	186,267
Supplies inventory	155,736	125,157	123,332
Other current assets	108,150	82,540	77,762
Current portion of funds held by trustee	87,366	75,745	88,684
Total current assets	3,093,445	2,315,291	2,347,817
<b>Assets whose use is limited:</b>			
Management-designated cash and investments	3,541,564	2,713,050	2,517,647
Gift annuities, trusts, and other	50,345	35,545	37,036
Funds held by trustee	125,146	160,243	139,533
Assets whose use is limited, net of current portion	3,717,055	2,908,838	2,694,216
Property, plant and equipment, net	6,236,213	4,679,181	4,272,212
Other assets	367,005	276,369	264,825
Total assets	\$ 13,413,718	\$ 10,179,679	\$ 9,579,070
<b>Liabilities and Net Assets</b>			
<b>Current liabilities:</b>			
Current portion of long-term debt	\$ 63,376	\$ 46,205	\$ 48,145
Master trust debt classified as short-term	480,201	454,200	454,200
Accounts payable	423,307	331,685	301,560
Accrued compensation	581,645	431,724	378,598
Payable to contractual agencies	131,761	110,594	71,668
Liabilities under securities lending	52,708	89,183	142,345
Retirement plan obligations	164,709	154,120	136,245
Current portion of self-insurance liability	96,445	74,944	83,907
Other current liabilities	239,869	199,885	189,957
Total current liabilities	2,234,021	1,892,540	1,806,625
Long-term debt, net of current maturities	2,943,152	1,797,350	1,705,313
<b>Other long-term liabilities:</b>			
Self-insurance liability, net of current portion	238,408	236,126	225,469
Pension benefit obligation	1,192,650	771,183	633,642
Other liabilities	131,779	81,783	71,199
Total other long-term liabilities	1,562,837	1,089,092	930,310
Total liabilities	6,740,010	4,778,982	4,442,248
<b>Net assets:</b>			
<b>Unrestricted:</b>			
Controlling interest	6,319,188	5,116,354	4,866,412
Noncontrolling interest	73,857	62,625	43,410
Temporarily restricted	201,961	151,886	159,865
Permanently restricted	78,702	69,832	67,135
Total net assets	6,673,708	5,400,697	5,136,822
Total liabilities & net assets	\$ 13,413,718	\$ 10,179,679	\$ 9,579,070

**Financial Ratios:**

	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Proforma <sup>(1)</sup></b>			
<b>FYE December 31, 2012</b>			
Debt Service Coverage of Operating Income (x)	<b>5.48</b>	<b>5.46</b>	<b>5.81</b>
Debt Service Coverage of Net Income (x)	<b>11.58</b>	<b>11.55</b>	<b>6.79</b>
Debt/Unrestricted Net Assets (x)	<b>0.48</b>	<b>0.48</b>	<b>0.36</b>
Margin (%)	<b>1.92</b>	<b>2.84</b>	<b>4.24</b>
Current Ratio (x)	<b>1.38</b>	<b>1.22</b>	<b>1.30</b>

<sup>(1)</sup> Recalculates FY 2012 audited results to include the impact of this proposed financing.

The audited, combined financial statements of entities operating under Providence Health & Services were analyzed in this section.

### **Financial Discussion – Statement of Activities (Income Statement)**

**Providence’s income statement appears to display positive operating results over the review period. Although operating margins have declined, they continue to be solid. Net income and unrestricted net assets showed strong gains.**

Providence entered into an Affiliation Agreement with Swedish Health Services (“Swedish”) on February 1, 2012 to create a fully integrated, nonprofit, charitable health care system serving communities throughout Western Washington. On July 1, 2012, Obligated Group member PHS – Southern California entered into an Affiliation Agreement with Facey Medical Foundation and Facey Medical Group (combined “Facey”). Net income increased from \$485.6 million in FY 2010 to \$1.2 billion in FY 2012 due to contributions from Swedish as well as Facey. Total net assets increased from \$5.1 million in FY 2010 to \$6.6 million in FY 2012, representing a 29% increase. Providence’s FY 2012 operations exhibited \$10.6 billion in revenues and \$10.4 billion in expenses.

#### Particular Facts to Note:

- According to management, the affiliations with Swedish and Facey were recognized as non-operating gains in FY 2012 with contributions of approximately \$766.3 million and \$38.5 million, respectively.
- According to management, a loss of approximately \$53.6 million was recognized in FY 2012 on the extinguishment of Swedish debt. The refunding of outstanding Swedish bonds was necessary to bring Swedish into the Obligated Group.
- According to management, Providence issued \$1.02 billion of series 2012 Washington Health Care Facilities Authority (WHCFA) revenue bonds, in part to pay off outstanding Swedish bonds, which contributed to the significant growth in interest and amortization expense during the review period; nearly doubling from approximately \$65.4 million in FY 2010 to approximately \$120.1 million in FY 2012.
- According to management, Providence experienced a large increase in investment income, from approximately \$157.8 million in FY 2011 to approximately \$290.9 million in FY 2012, as a result of the Swedish affiliation.
- According to management, in FY 2010 Providence entered into an agreement to install Epic – an electronic medical health record – throughout its regions. Providence anticipates operating expenditures related to Epic will continue through 2013.

## **Financial Discussion – Statement of Financial Position (Balance Sheet)**

**Providence appears to have a solid financial position with an operating proforma debt service coverage ratio of 5.48x.**

Providence's balance sheet appears to demonstrate continued growth over the review period, and most notably in FY 2012 with the Swedish affiliation. Total net assets increased from approximately \$5.1 billion in FY 2010 to approximately \$5.4 billion in FY 2011, and then increased to approximately \$6.7 billion in FY 2012. Providence showed a continued strong debt service coverage ratio from operations at 6.82x in FY 2010 and 5.46x in FY 2012. Debt service coverage from net income declined from 8.18x in FY 2010 to 6.79x in FY 2011, but then increased to 11.55x in FY 2012 mostly, reports Providence, as a result of the contributions from the Swedish affiliation. (See Exhibit 4 regarding long term outstanding debt.)

### **Particular Facts to Note:**

- Providence's long-term debt increased approximately 63.7% from FY 2011 to FY 2012, primarily due to the Swedish affiliation. According to management, in FY 2012 Providence issued a total of \$1.02 billion of series 2012 WHCFA revenue bonds, of which approximately \$790.6 million was used to pay off outstanding bonds issued on behalf of Swedish Health Services. The remaining balance was used to finance or reimburse the corporation for capital expenditures, repay a line of credit, and pay for bond issuance expenses.
- Cash and cash equivalents increased from approximately \$378.5 million in FY 2011 to approximately \$706.7 million in FY 2012, resulting in 175 days cash on hand. According to management, the increase is attributed to a combination of the refinancing of Swedish debt as well as Providence's focused effort to raise days cash on hand.
- Providence's pension benefit obligation grew nearly 88.2%, from approximately \$633.6 million in FY 2010 to approximately \$1.2 billion in FY 2012. According to management, a substantial portion of this increase is related to Swedish joining the Providence System in 2012.



#### IV. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Savings Pass Through):** PHS – Southern California properly completed and submitted the “Pass-Through Savings Certification” in addition to a narrative explaining how it intends to pass along savings.

In 2012, Providence spent \$823 million in community benefit programs. All Providence regions were able to increase contributions in 2012, with total community benefit exceeding 2011 spending by \$172 million. In 2012, Providence offered nearly \$272 million in free and discounted care.

- **Section 15491.1 of the Act (Community Service Requirement):** PHS – Southern California properly completed and submitted this certification and indicated that Medi-Cal and Medicare patients are accepted.
- **Compliance with Seismic Regulations:** PHS – Southern California 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):** As this is a refunding of the Authority’s bonds, PHS – Southern California did not submit CEQA documentation with its application. PHS – Southern California previously submitted CEQA documentation in connection with the Authority’s Fixed Rate 2008C Bonds.
- **Religious Affiliation Due Diligence:** PHS – Southern California properly completed and submitted relevant documentation regarding the religious due diligence requirement.
- **Legal Review:** PHS – Southern California properly completed and submitted relevant documentation for the Authority’s Legal Questionnaire.
- **Iran Contracting Act Certificate:** PHS – Southern California and the underwriter properly submitted the certificate to the Authority.

**EXHIBIT 1**  
**PROJECT SITES**

<b><u>Refunding Project Sites</u></b>	<b><u>Project Address</u></b>
<b>Providence Saint Joseph Medical Center</b>	501 South Buena Vista St, Burbank, CA
<b>Providence Holy Cross Medical Center</b>	15031 Rinaldi St, Mission Hills, CA
<b>Little Company of Mary Health Services</b>	20555 Earl St, Torrance, CA
<b>Providence Little Company of Mary Medical Center Torrance (formerly known as Little Company of Mary Hospital)</b>	4101 Torrance Blvd, Torrance, CA
<b>Little Company of Mary Hospital Pavilion</b>	4320 Maricopa St, Torrance, CA
<b>Little Company of Mary Home Care</b>	3551 Voyager Ct, Suite 201&D, Torrance, CA
<b>Little Company of Mary Ambulatory Services (doing business as Del Amo Diagnostic Center)</b>	3531 Fashion Way, Torrance, CA
<b>Providence Little Company of Mary Medical Center San Pedro (formerly known as Little Company of Mary – San Pedro Hospital)</b>	1300 West Seventh St, San Pedro, CA
<b>Providence Little Company of Mary Subacute Care Center</b>	1322 West Sixth St, San Pedro, CA
<b>Providence Tarzana Medical Center</b>	18321 Clark St, Tarzana, CA
Leased hospital supply warehouse	6703-6705 Valjean Ave, Van Nuys, CA
Leased office space for human resources	16255 Ventura Blvd, Suite 800, Encino, CA
<b>South Valley Imaging Center</b>	18344 Clark St, Suite 110, Tarzana, CA
<b>The Center for Cardiac Rehabilitation</b>	5525 Etiwanda Ave, Suite 112, Tarzana, CA
<b>The Diabetes Care Center</b>	18344 Clark St, Suite 210, Tarzana, CA

## **EXHIBIT 2**

### **FINANCING TEAM**

**Trustee:** U.S. Bank National Association

**Master Trustee:** The Bank of New York Mellon Trust Company, 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:** Sidley Austin LLP

**Borrower's Counsel:** Foley & Lardner, LLP

**Underwriter:** Bank of America Merrill Lynch

**Underwriter's Counsel:** Hawkins, Delafield & Wood, LLP

**Auditor:** KPMG

**Rating Agencies:** Standard & Poor's  
Fitch Ratings  
Moody's

### EXHIBIT 3

## OBLIGATED GROUP UTILIZATION STATISTICS

### California Hospitals only: As of March 31, 2013

<u>Facility Name</u>	<u>Location</u>	<u>Number of Licenced Acute Care Beds</u>	<u>Number of Licenced Long- Term Care Beds</u>
Providence St. Joseph Medical Center	Burbank	392	54
Providence Holy Cross Medical Center	Mission Hills	329	48
Providence Tarzana Medical Center	Tarzana	249	-
Providence Little Company of Mary Medical Center Torrance*	Torrance	327	-
Providence St. Elizabeth Care Center	North Hollywood	-	52
Providence Little Company of Mary Subacute Care Center*	Torrance	-	115
Providence Little Company of Mary Medical Center San Pedro	San Pedro	183	-
Providence Little Company of Mary Subacute Care Center San Pedro	San Pedro	-	125
Providence Little Company of Mary Peninsula Recovery Center**	San Pedro	-	48

\* Two campuses

\*\* Includes chemical dependency program

## **EXHIBIT 4**

### **OUTSTANDING DEBT:**

As of fiscal year ending December 31, 2012, Providence has approximately \$3.3 billion in outstanding long-term debt, of which \$280 million is Authority debt. With this proposed partial refunding, Providence's outstanding debt with the Authority will remain at approximately \$280 million.

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## EXHIBIT 5

### BACKGROUND, GOVERNANCE AND LICENSURE

#### **Background**

Providence is a not-for-profit health system headquartered in Renton, Washington. Providence's mission is to provide quality care that is accessible to everyone in the communities they serve, especially the poor and vulnerable, and carry on the work started by the Sisters of Providence more than 155 years ago. In 2012, Providence provided \$823 million in community benefit programs, including nearly \$272 million in charity care so the uninsured and underinsured could access health care. Providence owns and operates health care facilities and service providers primarily in the greater metropolitan areas of Anchorage, Alaska; Everett, Seattle, Edmonds, Spokane, and Olympia, Washington; Missoula, Montana; Portland and Medford, Oregon; and Los Angeles, California. Providence owns or operates 32 general acute care hospitals, three ambulatory care centers, five medical groups, 400 physician clinics, six long-term care facilities, seven homecare and hospice entities, five assisted living facilities, a high school, a university, 13 low-income housing projects, a health services contractor, two programs of all inclusive care for the elderly, and 21 controlled fundraising foundations.

As of February 1, 2012, Providence entered an Affiliation Agreement with Swedish Health Services to create a fully integrated, nonprofit, charitable health care system serving communities throughout Western Washington. Swedish became a member of the Obligated Group on July 12, 2012. Swedish, founded in 1910, provides comprehensive inpatient, outpatient, and emergency healthcare services through five acute care hospitals, a network of primary care medical clinics, two emergency service centers, and other medical organizations, primarily in Seattle and the surrounding Washington area.

#### **Obligated Group**

The Obligated Group, consisting of PHS – Southern California and eight affiliate nonprofit hospital corporations, was formed for issuing debt under a master trust indenture, and all Members are jointly and severally responsible for all borrowings under the master trust indenture. Members may be added to and withdrawn from the Obligated Group provided certain conditions are met. The Members of the Obligated Group own (or lease) and operate 32 acute care hospital facilities and 11 skilled nursing facilities with a combined capacity of 8,838 licensed beds, as of March 31, 2013.

Effective as of July 1, 2012, Obligated Group member PHS – Southern California entered into an Affiliation Agreement with Facey Medical Foundation and Facey Medical Group. The Facey Medical Foundation, a nonprofit medical foundation, operates ten clinics in the North San Fernando, Santa Clarita, San Gabriel and Simi Valleys. The sites are staffed by the Facey Medical Group physicians in accordance with a professional services agreement.

### **Obligated Group Members**

- Providence Health & Services
- Providence Health & Services – Washington
- Providence Health & Services – Western Washington
- Providence Health & Services – Oregon
- Providence Health & Services – Montana
- Providence Health System – Southern California
- Providence St. Joseph Medical Center
- Little Company of Mary Ancillary Services Corporation
- Swedish Health Services

### **Corporate Governance**

The Corporation is the parent corporation Providence Health & Services, and in that capacity is the sole member, directly or indirectly, of each of the corporations within Providence Health & Services, and co-corporate member of Providence Health & Services – Western Washington and Western HealthConnect. The sole member of the Corporation is Providence Ministries, which acts through its sponsors, who are five individuals appointed by the Provincial Superior of the Sisters of Providence, Mother Joseph Province. Among the powers reserved to the member of the Corporation are the following power over the affairs of the Corporation and the Corporation's controlled affiliates: to amend or repeal the articles of incorporation or bylaws of the Corporation; the appointment and removal, with or without cause, of the Directors of the Corporation; the appointment and removal, with or without cause, of the President and Chief Executive Officer of the Corporation; the approval of the acquisition of assets, incurrence of debt, encumbering of assets and sale of certain property of the Corporation; the approval of the dissolution, consolidation or merger of the Corporation; the approval of operating and capital budgets; and the appointment of the Corporation's certified public accountants, upon recommendation of the Boards of Directors.

The Corporation has reserved similar rights over its controlled affiliates, which powers may be exercised by the members of the Corporation.

### **Licensure and Memberships**

Each of PHS – Southern California facilities is licensed by the Department of Health Services as a general acute care hospital or skilled nursing facility or is a related facility and is certified to participate in the Medicare and Medi-Cal programs.

RESOLUTION NO. 392

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY  
AUTHORIZING THE ISSUANCE OF REVENUE REFUNDING BONDS  
RELATED TO THE REFINANCING OF  
PROJECTS AT THE HEALTH FACILITIES OF  
PROVIDENCE HEALTH SYSTEM – SOUTHERN CALIFORNIA

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 lend the 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;

WHEREAS, Providence Health System - Southern California 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 is affiliated with Providence Health & Services, Providence Health & Services – Washington (the “Obligated Group Agent”), Providence Health & Services - Oregon, Little Company of Mary Ancillary Services Corporation, Providence St. Joseph Medical Center, Providence Health & Services – Montana, Providence Health & Services – Western Washington and Swedish Health Services; and

WHEREAS, the Authority previously issued its Revenue Bonds (Providence Health & Services), Series 2008C (the “Prior Bonds”), in the aggregate principal amount of \$289,195,000, of which \$276,725,000 currently is outstanding, and loaned the proceeds thereof to the Borrower to refinance certain existing indebtedness incurred in connection with the acquisition, construction, renovation and equipping of health facilities, as more particularly described under the caption “Prior Project” in Exhibit A hereto (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 \$149,705,000, and make one or more loans of the proceeds thereof to the Borrower to (i) advance refund a portion of the outstanding Prior Bonds, and (ii) pay costs of issuance of the Bonds (as defined below);

WHEREAS, to the extent required by subdivision (b) of Section 15455 of the Government Code, the Borrower has provided documentation to the Authority demonstrating, to the extent applicable, that the Prior 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 “California Health Facilities Financing Authority Revenue Bonds (Providence Health & Services)” (the “Bonds”), in a total aggregate principal amount not to exceed \$149,705,000, are hereby authorized to be issued from time to time, in one or more series, with such other name or names of the Bonds or series thereof as designated in the indenture pursuant to which the Bonds will be issued. 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 June 14, 2014, at public or 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 six 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) the Loan Agreement relating to the Bonds (the “Loan Agreement”), between the Authority and the Borrower,
- (ii) the Bond Indenture relating to the Bonds (the “Bond Indenture”), between the Authority and U.S. Bank National Association, as bond trustee (the “Trustee”),
- (iii) the Bond Purchase Agreement, including the exhibits thereto, relating to the Bonds (the “Purchase Contract”), among Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Underwriter”), the Treasurer and the Authority, and approved by the Borrower and/or the Obligated Group Agent, and
- (iv) the preliminary official statement relating to the Bonds (the “Preliminary Official Statement”),

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect 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 Agreement, the Bond Indenture and the Purchase Contract 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 Agreement are true and correct.

SECTION 5. The dated dates, maturity dates (not exceeding 40 years from the respective date of issue), 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 the Bond Indenture, as finally executed.

SECTION 6. The Underwriter is hereby authorized to distribute a Preliminary Official Statement for the Bonds to persons who may be interested in the purchase of such Bonds offered in such issuance, it being understood that, at the discretion of the 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 statement (the "Official Statement") to all actual purchasers of such Bonds.

SECTION 7. The Bonds, when executed, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to or upon direction of the Underwriter thereof in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved. Said instructions shall provide for the delivery of the Bonds to or upon direction of the 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 Indenture, Loan Agreement, Bond Purchase Contract and Official Statement. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: (a) 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 proceeds of the California Health Facilities Financing Authority Revenue Bonds (Providence Health & Services), Series 2008C (the “Prior Bonds”) were used (A) to current refund the outstanding (i) California Health Facilities Financing Authority Insured Revenue Bonds (Little Company of Mary Health Services), Series 1998 (the “Series 1998 Bonds”), (ii) California Health Facilities Financing Authority Insured Variable Rate Revenue Bonds (Providence Health System), Series 2001A (the “Series 2001A Bonds”), and (iii) California Health Facilities Financing Authority Insured Variable Rate Revenue Bonds (Providence Health System), Series 2001B and Series 2001C (the “Series 2001BC Bonds” and, together with the Series 2001A Bonds, the “Series 2001 Bonds”), and (B) to refinance a portion of a loan from U.S. Bank National Association incurred on September 19, 2008 (the “2008 Loan”) used, in part, for the acquisition of Providence Tarzana Medical Center. The proceeds of the Series 1998 Bonds, the Series 2001 Bonds and the 2008 Loan were used to finance or refinance the costs of acquisition, construction, renovation and equipping of certain health facilities located in Burbank, Mission Hills, Torrance, San Pedro and Tarzana, California, which are owned and operated by the Borrower.