

**CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY**

<p>Applicant: Providence Health System - Southern California (“PHS – Southern California”) 1801 Lind Ave. SW, #9016 Renton, WA 98057 (King County) (Corporate headquarters)</p> <p>Project Sites: See Exhibit 1</p> <p>Facility Types: Acute care, skilled nursing, rehabilitation, outpatient, home health, radiology, administrative</p> <p>Eligibility: Government Code 15432(d)(1) and (d)(3)</p> <p>Prior Borrower: Yes (date of last CHFFA issue, June 2014)</p> <p>Obligated Group: The Members of the Providence Health & Services Obligated Group (“Providence”) are identified in Exhibit 5.</p>	<p>Amount Requested: \$150,000,000</p> <p>Date Requested: June 26, 2014</p> <p>Requested Loan Term: Up to 40 Years</p> <p>Resolution Number: 397</p>																
<p>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. 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>Use of Proceeds: Bond proceeds will be used to refinance a portion of the taxable commercial paper that was used to finance the acquisition of Saint John’s Health Center. PHS – Southern California acquired Saint John’s Health Center by issuing approximately \$186 million in taxable commercial paper. The remaining balance of the taxable commercial paper will be repaid by PHS – Southern California from operational cash.</p>																	
<p style="text-align: center;">Type of Issue: Negotiated public offering with fixed rate bonds (expected minimum denominations of \$5,000).</p> <p>Expected Credit Rating: Aa3/AA-/AA Moody’s/S&P/Fitch</p> <p>Financing Team: <i>Please see Exhibit 2 to identify possible conflicts of interest</i></p>																	
<p>Financial Overview: Providence’s income statement appears to exhibit positive operating results over the review period with operating revenue and unrestricted net assets showing solid growth. Providence appears to have a strong financial position with an operating pro-forma debt service coverage ratio of 3.33x.</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;">\$ 150,000,000</td> <td style="width: 30%;">Refinancing Commercial Paper</td> <td style="width: 20%; text-align: right;">\$ 186,000,000</td> </tr> <tr> <td>Borrower Funds</td> <td style="text-align: right;">\$ 39,000,000</td> <td>Financing Costs</td> <td style="text-align: right;">3,000,000</td> </tr> <tr> <td>Total Estimated Sources</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 189,000,000</td> <td>Total Estimated Uses</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 189,000,000</td> </tr> </tbody> </table>		<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>		Par Amount of Bonds	\$ 150,000,000	Refinancing Commercial Paper	\$ 186,000,000	Borrower Funds	\$ 39,000,000	Financing Costs	3,000,000	Total Estimated Sources	\$ 189,000,000	Total Estimated Uses	\$ 189,000,000
<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>															
Par Amount of Bonds	\$ 150,000,000	Refinancing Commercial Paper	\$ 186,000,000														
Borrower Funds	\$ 39,000,000	Financing Costs	3,000,000														
Total Estimated Sources	\$ 189,000,000	Total Estimated Uses	\$ 189,000,000														
<p>Legal Review: 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>Staff Recommendation: Staff recommends the Authority approve Resolution Number 397 in an amount not to exceed \$150,000,000 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 Fieldman, Rolapp & Associates, the Authority’s financial advisor, concur with the Authority’s staff recommendation.</p>																	

I. PURPOSE OF FINANCING:

On February 27, 2014, the California Attorney General’s Office approved the transfer of sponsorship of Saint John’s Health Center from the Sisters of Charity of Leavenworth Health System, Inc. to Providence Health & Services – Southern California effective March 1, 2014. The bond issue will secure permanent financing for the acquisition of the facility.

***Refinancing Commercial Paper* \$186,000,000**

PHS – Southern California seeks to issue \$150 million in CHFFA Fixed Rate Revenue Bonds Series 2014 to refinance a portion of the \$186 million taxable commercial paper that was used to finance the acquisition of Saint John’s Health Center. The proceeds will be used to retire a portion of the taxable commercial paper with the remainder repaid by PHS – Southern California from operational cash.

Saint John’s Health Center is a 266-bed facility with physicians, nurses, volunteers and support staff providing the latest in diagnostic technology and specialty care with a strong dedication to cardiac care, oncology, orthopedics and women’s health. Saint John’s Health Center is located at 2121 Santa Monica Blvd, Santa Monica, CA 90404.

***Financing Costs* 3,000,000**

Estimated underwriter’s discount.....	\$1,500,000
Estimated cost of issuance	<u>1,500,000</u>

***Total Estimated Uses of Funds*..... \$189,000,000**

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, Fieldman, Rolapp & Associates (the Authority’s financial advisor), 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 2014 bonds and to report designated “material events” such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc.*

Staff and the Authority’s financial advisor, Fieldman, Rolapp & Associates have reviewed the entirety of this financing package and find it to be acceptable.

[INTENTIONALLY LEFT BLANK]

III. FINANCIAL STATEMENTS AND ANALYSIS:

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

	For the year ended December 31,		
	2013	2012	2011
Operating revenues:			
Net patient service revenues	\$ 9,357,529	\$ 9,055,945	\$ 6,995,220
Provisions for bad debts	(299,791)	(389,890)	(318,334)
Net patient service revenues less provision for bad debts	9,057,738	8,666,055	6,676,886
Premium and capitation revenues	1,445,107	1,333,584	1,215,142
Other revenues	633,835	608,610	528,819
Total operating revenues	11,136,680	10,608,249	8,420,847
Operating expenses:			
Salaries and wages	4,748,873	4,430,130	3,402,777
Employee benefits	1,161,130	1,170,276	883,232
Purchased healthcare	767,161	733,975	694,273
Professional fees	463,838	390,427	280,550
Supplies	1,533,092	1,473,398	1,138,637
Purchased services	944,487	802,418	698,682
Depreciation	596,623	584,609	407,117
Interest and amortization	134,489	120,096	76,236
Other	749,316	698,834	600,450
Total operating expenses	11,099,009	10,404,163	8,181,954
Excess of revenues over expenses from operations	37,671	204,086	238,893
Net nonoperating gains			
Contribution from Swedish affiliation	-	766,252	-
Contribution from Facey affiliation	-	38,546	-
Loss on extinguishment of debt	(1,671)	(53,596)	(2,303)
Investment income, net	247,572	290,884	157,836
Pension settlement costs and other	(30,302)	(29,656)	(32,699)
Total net nonoperating gains	215,599	1,012,430	122,834
Excess of revenues over expenses	253,270	1,216,516	361,727
Net assets released from restriction for capital	10,786	17,460	16,909
Change in noncontrolling interests in consolidated joint ventures	(29,139)	11,232	19,215
Pension related changes	385,702	(2,862)	(129,236)
Contributions, grants, and other	(4,040)	(28,280)	542
Increase in unrestricted net assets	616,579	1,214,066	269,157
Unrestricted net assets, beginning of year	6,393,045	5,178,979	4,909,822
Unrestricted net assets, end of year	\$ 7,009,624	\$ 6,393,045	\$ 5,178,979

<u>Net patient service revenue</u>	<u>Percent</u>
Commercial and other insurance	52
Medicare	33
Medicaid	12
Self-pay	3
Total	100

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

Assets	December 31,			
	2013	2012	2011	
Current assets:				
Cash and cash equivalents	\$ 852,965	\$ 706,664	\$ 378,521	
Short-term management-designated investments	189,545	452,082	417,210	
Assets held under securities lending	9,386	51,220	86,987	
Accounts receivable, less allowance for bad debts	1,336,803	1,261,094	935,604	
Other receivables, net	293,737	271,133	213,527	
Supplies inventory	171,833	155,736	125,157	
Other current assets	87,574	108,150	82,540	
Current portion of funds held by trustee	93,473	87,366	75,745	
Total current assets	3,035,316	3,093,445	2,315,291	
Assets whose use is limited:				
Management-designated cash and investments	4,173,407	3,541,564	2,713,050	
Gift annuities, trusts, and other	53,836	50,345	35,545	
Funds held by trustee	119,510	125,146	160,243	
Assets whose use is limited, net of current portion	4,346,753	3,717,055	2,908,838	
Property, plant and equipment, net	6,204,617	6,236,213	4,679,181	
Other assets	382,711	367,005	276,369	
Total assets	\$ 13,969,397	\$ 13,413,718	\$ 10,179,679	
Liabilities and Net Assets				
Current liabilities:				
Current portion of long-term debt	\$ 160,383	\$ 63,376	\$ 46,205	
Master trust debt classified as short-term	32,075	480,201	454,200	
Accounts payable	436,622	423,307	331,685	
Accrued compensation	620,029	581,645	431,724	
Payable to contractual agencies	127,882	131,761	110,594	
Liabilities under securities lending	11,307	52,708	89,183	
Retirement plan obligations	184,065	164,709	154,120	
Current portion of self-insurance liability	100,834	96,445	74,944	
Other current liabilities	255,244	239,869	199,885	
Total current liabilities	1,928,441	2,234,021	1,892,540	
Long-term debt, net of current maturities	3,498,246	2,943,152	1,797,350	
Other long-term liabilities:				
Self-insurance liability, net of current portion	261,317	238,408	236,126	
Pension benefit obligation	812,528	1,192,650	771,183	
Other liabilities	151,380	131,779	81,783	
Total other long-term liabilities	1,225,225	1,562,837	1,089,092	
Total liabilities	6,651,912	6,740,010	4,778,982	
Net assets:				
Unrestricted:				
Controlling interest	6,964,906	6,319,188	5,116,354	
Noncontrolling interest	44,718	73,857	62,625	
Temporarily restricted	223,548	201,961	151,886	
Permanently restricted	84,313	78,702	69,832	
Total net assets	7,317,485	6,673,708	5,400,697	
Total liabilities & net assets	\$ 13,969,397	\$ 13,413,718	\$ 10,179,679	
Proforma ⁽¹⁾				
Financial Ratios:	FYE December 31, 2013	2013	2012	2011
Debt Service Coverage of Operating Income (x)	3.33	4.44	5.46	5.81
Debt Service Coverage of Net Income (x)	4.51	6.01	11.55	6.79
Debt/Unrestricted Net Assets (x)	0.55	0.53	0.48	0.36
Margin (%)		0.34	1.92	2.84
Current Ratio (x)		1.57	1.38	1.22

⁽¹⁾ Recalculates FY 2013 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 with operating revenue and unrestricted net assets showing solid growth.

Providence experienced strong gains in FY 2012 as it entered into an Affiliation Agreement with Swedish Health Services (“Swedish”) and Obligated Group member PHS – Southern California entered into an Affiliation Agreement with Facey Medical Foundation and Facey Medical Group (combined “Facey”). FY 2013 reflects a return to more modest growth. In FY 2013, operating revenue grew approximately 5%, from \$10.6 billion in FY 2012 to approximately \$11.1 billion in FY 2013. Similar to operating revenue, unrestricted net assets grew from approximately \$6.4 billion in FY 2012 to approximately \$7 billion in FY 2013.

Particular Facts to Note:

- According to management, the affiliations with Swedish and Facey contributed significantly to non-operating gains in FY 2012, at approximately \$766.3 million and \$38.5 million, respectively. Total non-operating gains grew approximately 76% from FY 2011 to FY 2013.
- Providence’s margin has decreased from approximately 2.8% in FY 2011 to approximately 1.92% in FY 2012, and approximately 0.3% in FY 2013. According to management, several factors have contributed to the declining margins, including a decline in inpatient volumes, weaker government reimbursement, and approximately \$750 million expended on the installation of Epic (an electronic medical records system) across the Providence system. In response to these factors, Providence has begun eliminating duplicative services and consolidating positions into a central location.
- Pension related changes reversed dramatically from approximately negative \$129.2 million in FY 2011 to approximately positive \$385.7 million in FY 2013. According to management, the change can be mainly attributed to a change in the actuarial discount rate, and the inclusion of St. John’s will be immaterial to Providence as a whole.

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 3.33x.

Providence's balance sheet appears to demonstrate continued growth over the review period, most notably in FY 2012 with the Swedish affiliation. Total assets increased from approximately \$10.2 billion in FY 2011 to approximately \$13.4 billion in FY 2012, and then increased to approximately \$14 billion in FY 2013. Providence continues to show a strong debt service coverage ratio from operations at 5.81x in FY 2011, 5.46x in FY 2012, and 4.44x in FY 2013. Debt service coverage has decreased due to additional debt taken on for the Swedish and Facey affiliations.

Particular Facts to Note:

- Providence's long-term debt increased approximately 64% from approximately \$1.8 billion in FY 2011 to approximately \$2.9 billion in FY 2012, primarily due to the Swedish affiliation. In FY 2013 long-term debt increased approximately 19% to approximately \$3.5 billion as Providence issued bonds through the Oregon Facilities Authority for the purpose of redeeming and advance refunding prior bonds as well as redeeming and canceling existing commercial paper notes.
- Cash and cash equivalents increased from approximately \$378.5 million in FY 2011 to approximately \$706.7 million in FY 2012. 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. In FY 2013, cash and cash equivalents increased to approximately \$853 million, resulting in 181 days cash on hand, which, according to management, was primarily due to very strong investment income.
- Accounts receivable has increased approximately 43%, from approximately \$935.6 million in FY 2011 to approximately \$1.3 billion in FY 2013. According to management, the increase primarily reflects the additional accounts receivable from Swedish joining Providence.
- Providence's pension benefit obligation grew nearly 54.7%, from approximately \$771.2 million in FY 2011 to approximately \$1.2 billion in FY 2012, mainly due to Swedish joining the Providence System in 2012. In FY 2013, the pension benefit obligation fell nearly 32% to approximately \$812.5 million. According to management, the change in pension benefit obligation is mainly attributed to a change in the actuarial discount rate.

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 2013, Providence spent approximately \$951 million in community benefit programs. All Providence regions were able to increase contributions in 2013, with total community benefits exceeding 2012 spending by approximately \$128 million. In 2013, Providence offered nearly \$313 million in free and discounted care.

Please see Exhibit 6 or enter the below web addresses in your web browser for PHS – Southern California’s community benefit report

<http://www2.providence.org/cbr/phs/overview.aspx>

(After following the above link a pop-up will prompt you to enter a User ID and password. Press cancel and it will take you to the web page with the Community Benefit Reports)

- **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):** PHS – Southern California properly completed and submitted relevant documentation regarding the CEQA requirement.
- **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 SITE

Saint John's Health Center
2121 Santa Monica Blvd.
Santa Monica, CA 90404

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: Fieldman Rolapp & Associates

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, 2014

<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 St. John's Health Center*	Santa Monica	266	-
Providence Little Company of Mary Medical Center Torrance	Torrance	327	-
Providence St. Elizabeth Care Center	North Hollywood	-	52
Providence Little Company of Mary Transitional 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 Recovery Center**	San Pedro	-	48

* Separate legal entity, owned by Providence Health System - Southern California. Will become a member of the Obligated Group concurrently with the closing of the Series 2014B issue.

** Includes chemical dependency program

EXHIBIT 4

OUTSTANDING DEBT:

As of fiscal year ending December 31, 2013, Providence has approximately \$3.7 billion in outstanding long-term debt, of which \$280 million is Authority debt. With this proposed bond issue, Providence's outstanding debt with the Authority will increase to approximately \$430 million.

[INTENTIONALLY LEFT BLANK]

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 2013, Providence provided \$951 million in community benefit programs, including nearly \$313 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 33 general acute care hospitals, three ambulatory care centers, five medical groups, 600 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 22 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 33 acute care hospital facilities and 10 skilled nursing facilities with a combined capacity of 9,092 licensed beds, as of March 31, 2014.

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 Health Connect. 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.

EXHIBIT 6
COMMUNITY BENEFIT REPORT



Providence Cares

PROVIDENCE HEALTH & SERVICES | 2013 COMMUNITY BENEFIT REPORT

In 2013, Providence offered **\$313 million** in free and discounted care so the uninsured and underinsured could access health care. This charity care is a part of Providence's total community benefit of **\$951 million**.





Our calling and our promise

In the face of rapidly changing health care, our commitment to our Mission to care for everyone remains unchanged. When the Sisters of Providence began our tradition of caring 158 years ago, their ministry greatly depended on partnering with others in the community who were committed to doing good. This same pioneering spirit continues today as our calling and our promise.

Together with our community partners, we identify where the greatest unmet needs are among people in the communities we serve. These programs provide access to many vital services for body, mind and spirit, some of which include:

- Mental health and substance abuse treatment
- Preventive care and emergency department coordination
- Chronic disease management, support and education
- Meeting basic needs such as hunger, housing and transportation

We would like to thank the many people of Providence and our affiliates, caregivers, donors, volunteers and community partners who every day help fulfill our Mission. By working together, we will continue to create healthier communities.

Rod Hochman, MD
President & CEO, Providence Health & Services

Sister Juliana Casey, IHM
President, Providence Ministries

Mike Holcomb
Chairman, Board of Directors

Our Mission to reveal God's love for all is both our calling and our promise to deliver quality, affordable care to everyone in our communities, especially to those who are the most vulnerable.

OUR MISSION

As people of Providence, we reveal God's love for all, especially the poor and vulnerable, through our compassionate service.

Creating healthier communities, together

The Providence Mission reaches out beyond the walls of care settings to touch lives in the places where relief, comfort and care are needed. Our community benefit spending is about treating not just the patient, but the whole community. Through programs and donations, Providence's community benefit connects families with preventive care to keep them healthy, fills gaps in community services and provides opportunities that bring hope in difficult times.

We collaborate with social service and government agencies, charitable foundations, community organizations, universities and many other partners to identify the greatest needs and create solutions together.

In this report, you'll see examples of how we are working together to meet the needs of the communities we serve across five states.

A CHANCE AT HEALING

People who seek care in emergency departments for pain, chronic illnesses or non-life-threatening injuries often do so because they feel they have nowhere else to go. That is why Providence is working with local resources to redirect people from expensive emergency departments to more appropriate and affordable primary care clinics where they can receive preventive care.

In Spokane, Washington, multi-agency collaboration provides care coordination for homeless patients with very complex health conditions. The project is focused on changing the way providers of various services engage with clients and coordinate

care – from delivering needed services to providing housing and an environment in which clients can heal. For homeless clients, it's the difference between repeat admissions to the hospital and nowhere to stay following discharge, to a chance at healing.

MEETING BASIC NEEDS

Providence has provided critical funding for the Covenant House emergency shelter in Alaska for the past 25 years. Helping those at risk get a fresh start, Covenant House addresses some of the most critical needs of those ages 13 to 20, paramount among them being basic health care.

Our supportive housing ministry provides safe and affordable housing for more than 739 low-income elderly and disabled adults at 14 locations in California, Oregon and Washington.

IMPROVING MENTAL HEALTH

In California, Providence has established local partnerships to provide outreach and education on mental illness to the Latino community. Our health *promotoras* work through churches and schools to identify those in need and refer them to the right place for help.

CARING FOR THE WHOLE PERSON

Hospice and palliative care services provide free bereavement education and support programs to help families and children impacted by the illness or death of a loved one.

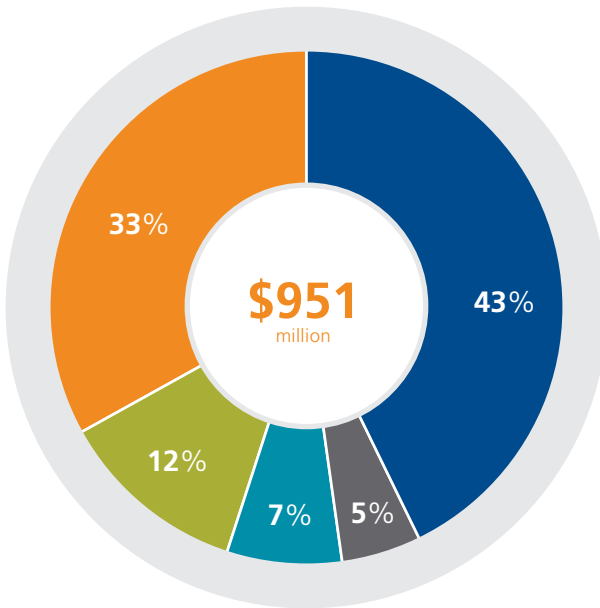
Learn more at providence.org/cares.

Giving to our communities

	Unfunded portion of government-sponsored medical care	Free and discounted medical care for patients in need	Subsidized services	Education and research programs	Community health, grants and donations	Total cost of care & services donated in 2013
Alaska	\$15,482,010	\$38,539,299	\$4,103,862	\$5,333,283	\$7,534,130	\$70,992,584
California	\$112,509,381	\$42,801,032	\$9,997,870	\$5,285,250	\$12,687,216	\$183,280,749
Montana	\$6,783,939	\$16,904,407	\$14,358,021	\$1,436,046	\$273,056	\$39,755,469
Oregon	\$69,137,509	\$96,173,000	\$10,728,622	\$50,456,503	\$16,578,330	\$243,073,964
Washington	\$202,140,206	\$118,421,260	\$29,565,931	\$53,042,176	\$10,393,201	\$413,562,773
Total	\$406,053,044	\$312,838,998	\$68,754,306	\$115,553,258	\$47,465,933	\$950,665,539

Community benefit reporting is based on consolidated data for Providence and its affiliates using IRS Schedule H instructions for 2013 reporting.

2013 community benefit spending



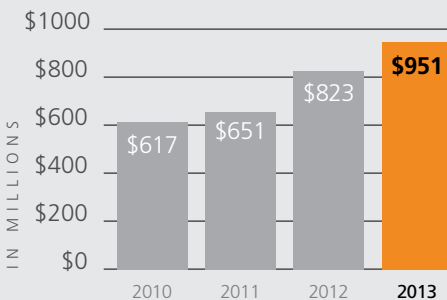
UNFUNDED PORTION OF GOVERNMENT-SPONSORED MEDICAL CARE: Difference between the cost of care and what is paid for by state and federal government – does not include Medicare

FREE AND DISCOUNTED MEDICAL CARE FOR PATIENTS IN NEED: Financial assistance for those who are uninsured, underinsured or otherwise unable to pay for their health care

SUBSIDIZED SERVICES: Clinical and social services provided despite a financial loss because it meets an identified community need that is not met elsewhere in the community

EDUCATION AND RESEARCH PROGRAMS: Subsidies for medical residency programs, nursing and other education and medical research

COMMUNITY HEALTH, GRANTS AND DONATIONS: Free services such as patient education, health screenings, immunizations and support groups, as well as donations to community partners



GROWTH IN COMMUNITY SPENDING

Community benefit has increased **54 percent** since 2010. Over the past four years, Providence Health & Services has provided a total of more than **\$3 billion** in community benefit.



More than 158 years ago, five Sisters of Providence came to the Northwest with a Mission to provide care to everyone – especially the most vulnerable. Focused on meeting the unmet needs of growing pioneering communities, the Sisters steadfastly built hospitals, schools and orphanages across Alaska, California, Montana, Oregon and Washington.

We are inspired by the commitment and compassion of the Sisters of Providence and proudly continue to serve our communities.



Providence at a glance*

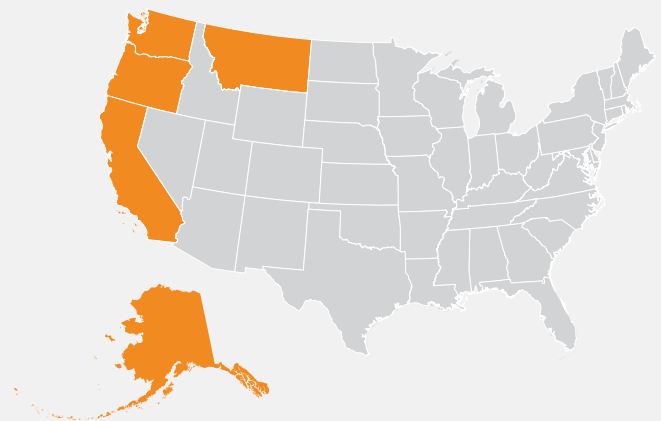
Employees	68,488
Employed physicians	3,148
Employed advanced practice clinicians	870
Physician clinics	438
Acute care hospitals	33
Acute care beds (licensed)	7,662
Providence Health Plan members	390,596
Hospice and home health programs	19
Home health visits	622,364
Hospice days	640,409
Assisted living and long-term care facilities (free standing and co-located)	22
Supportive housing	
Facilities:	14
Units:	693
Unique patients served	2,483,462
Community benefit and charity care costs	\$951 million
Total net operating revenue	\$11.1 billion
Total net operating income	\$37.7 million
Total net income	\$253.3 million
Total net assets	\$7.3 billion

*Data is consolidated for Providence and its affiliates based on financial reporting.

Providence Health & Services

1801 Lind Ave. SW
Renton, WA 98057
425-525-3355

www.providence.org



©2014 Providence Health & Services.
All rights reserved.

RE14-20004

The care and services Providence delivers span from birth to end of life, to care for the whole person. Our comprehensive scope of services includes acute care, physician clinics, long-term and assisted living, palliative and hospice care, home health, education and supportive housing. Our ministries are located in Alaska, California, Montana, Oregon and Washington, with our system office located in Renton, Washington.

RESOLUTION NO. 397

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING
AUTHORITY AUTHORIZING THE ISSUANCE OF REVENUE 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 Borrower has requested that the Authority issue one or more series of its revenue bonds in an aggregate principal amount not to exceed \$150,000,000, and make one or more loans of the proceeds thereof to the Borrower to (i) refinance certain taxable indebtedness of the Borrower incurred in connection with the acquisition of a health facility, as more particularly described under the caption “Project” in Exhibit A hereto (the “Project”), 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 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 \$150,000,000, are hereby authorized to be issued from time to time, in one or more series,

with such other name or names of the Bonds or series thereof as designated in the indenture pursuant to which the Bonds will be issued. 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 June 26, 2015, 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, as amended, 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:

Refinancing certain taxable indebtedness of the Borrower incurred in connection with the acquisition of Providence St. John's Health Center (formerly known as Saint John's Health Center), an approximately 266-bed general acute care hospital and related facilities, located at 2121 Santa Monica Boulevard, Santa Monica, California, which is owned and operated by the Borrower.