CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (Authority or CHFFA)

STAFF SUMMARY RECOMMENDATION

REVISED DEBT ISSUANCE GUIDELINES

Resolution No. 2026-04

August 27, 2026

PURPOSE OF THE REQUEST:
Staff is requesting the Authority to approve the adoption of the revised CHFFA Debt Issuance Guidelines.

BACKGROUND:
The Authority board previously approved debt issuance guidelines, which impose certain minimum requirements for financings that are investment grade (i.e., those rated a minimum of BBB- by Standard & Poor's Financial Services, LLC (S&P) and/or Fitch Ratings, Inc. (Fitch), or Baa3 by Moody's Investors Service, Inc. (Moody's)), as well as for those that fall below investment grade (i.e., those unrated or rated below BBB- by S&P and/or Fitch, or below Baa3 by Moody's). These requirements were designed to safeguard investors, protect the Authority, and minimize risk exposure. The Authority board adopted these guidelines through Resolution No. 2000-4, on September 28, 2000, with subsequent revisions approved through Resolution No. 2010-27, and Resolution No. 2012-08 on September 30, 2010 and October 25, 2012, respectively.

The State Treasurer's Office (STO), as Agent for Sale on debt sold by the Authority, recently collaborated with all of the Treasurer's conduit authorities to develop uniform debt issuance guidelines that could be implemented across all authorities (New Debt Issuance Guidelines). The primary objectives in developing the New Debt Issuance Guidelines were to (1) modernize the guidelines to align with current market standards, (2) establish uniformity among all STO's conduit authorities, (3) promote cohesion for STO staff, legal, financing teams, borrowers and investors, (4) provide greater flexibility for debt issuance where appropriate, and (5) impose issuance and sale limitations where appropriate. The proposed updates are generally consistent with existing guidelines imposed by other conduit issuers within the state.

The primary updates from CHFFA's existing guidelines include:

- expanded the approved rating agencies to include Kroll Bond Rating Agency alongside Moody's, S&P, and Fitch;
- broadened the sale of bonds for sub-minimum rated or unrated debt to include limited public offerings, in addition to private placements;
- broadened the purchaser eligibility for sub-minimum rated or unrated debt to include certain Institutional Accredited Investors in addition to Qualified Institutional Buyers;
- updated minimum denominations for sub-minimum rated or unrated debt to $100,000 (with $5,000 increments), replacing the prior $250,000 threshold;

(WP/BC)

- updated the requirement for the physical delivery of bonds with a sub-minimum rating or unrated to mandatory cover-page transfer disclosures and Sophisticated Investor Letters; and
- formal standards were created to govern purchases of sub-minimum or unrated debt made through a Bondholder Representative.

It should be emphasized that in approving the New Debt Issuance Guidelines, the Authority retains sole and absolute discretion to approve exceptions to the guidelines, require additional provisions, or both, on a case-by-case basis. The New Debt Issuance Guidelines will apply to all proposed financings approved subsequent to the adoption of Resolution Number 2026-04.

RECOMMENDATION:
Staff recommends the Authority approve Resolution No. 2026-04, authorizing the adoption of the revised CHFFA Debt Issuance Guidelines.

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
DEBT ISSUANCE GUIDELINES

These guidelines set forth debt issuance provisions the California Health Facilities Financing Authority (the "Authority") will require for financing transactions issued through the Authority. In addition to these debt issuance provisions, the Authority will also require each financing to adhere to the Authority's general requirements for debt issuance. Each financing will be reviewed individually and the Authority, in its sole and absolute discretion, may approve exceptions to these guidelines, require additional issuance provisions, or both.

Ratings by rating agencies other than Moody's Investors Service, Inc. (Moody's), Standard & Poor's Financial Services, LLC (S&P), Fitch Ratings, Inc. (Fitch), or Kroll Bond Rating Agency, LLC (KBRA) will not be considered for purposes of complying with these guidelines. If debt has more than one rating, the lowest rating shall be considered the relevant rating for purposes of the guidelines.

RATING	ISSUANCE PROVISIONS
I. Minimum Requirements for Debt Rated BBB- (by S&P, Fitch, and/or KBRA)/Baa3 (by Moody's)/or Higher **(collectively, the "Minimum Public Rating")**	• Bonds may be issued and sold through a public offering, private placement or limited public offering with appropriate disclosure. • Bonds may be issued in $5,000 denominations or such other denominations approved by the Authority. • Bond documents may permit bonds to be converted to other modes without further action by the Authority.
II. Minimum Requirements for Debt Rated below BBB- (by S&P, Fitch, and/or KBRA)/Baa3 (by Moody's)/ or Unrated **(collectively, a "Sub-Minimum Rating")**	• Bonds must be sold in either a limited public offering or a private placement. • Bonds must be initially purchased by either (1) Qualified Institutional Buyers as defined under Rule 144A of the Securities Act of 1933 ("QIBs"); or (2) Institutional Accredited Investors as defined under Section 501(a) of Regulation D falling under the following paragraphs of such definition: (1), (2), (3), (7), (8), (9), or (12) ("Qualified AIs"). • Bonds must be purchased in minimum denominations of at least $100,000, and $5,000 in excess thereof. • Each Initial bond purchaser will be required to execute and submit a Sophisticated Investor Letter in form and content satisfactory to the Authority.

RATING	ISSUANCE PROVISIONS
II. "Sub-Minimum Rating") (Continued)	• Appropriate Bond documents, including the Indenture and the face of each Bond, must contain a provision that prohibits initial sales and subsequent transfers of Bonds unless the initial purchaser or transferee is a QIB or a Qualified AI and in minimum denominations of at least $100,000, and $5,000 in excess thereof. • Initial purchaser restrictions and transfer restrictions must be prominently displayed and described in detail on the cover of any offering materials/disclosure document.

III. Minimum Requirements for all Debt with a Sub-Minimum Rating purchased on behalf of initial investors by a Bondholder Representative	• The Bondholder Representative must be a QIB and a registered investment advisor responsible for managing at least $1 billion in assets.
	• The Bondholder Representative must identify the number of client accounts ("Represented Account") that it represents will be purchasing the Bonds.
	• The Bondholder Representative must have complete discretion and authority over the Represented Account to acquire and dispose of investments on behalf of the initial investor(s) it represents.
	• Each client who will be the holder of the Bonds must meet the applicable purchase guidelines described in Section II and all restrictions set forth in Section II will apply (except as provided in this Section III).
	• The Bondholder Representative must execute a Bondholder Representative Letter substantially similar to the Sophisticated Investor Letter that would otherwise be required by initial investors. The Bondholder Representative Letter must be in form and content satisfactory to the Authority and represent that, among other things:
	  o The Bondholder Representative satisfies all requirements contained in this Section III.
	  o All initial investors that will purchase Bonds are aware of, and agree to comply with, the restrictions associated with the debt, as outlined above, and are aware of the risks associated with such restrictions.

RESOLUTION NO. 2026-04

**RESOLUTION OF THE
CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
APPROVING THE ADOPTION OF DEBT ISSUANCE GUIDELINES**

WHEREAS, the California Health Facility 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 bonds to finance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, or equipping of a health facility operated by participating health institutions (as defined in California Government Code section 15432);

WHEREAS, the Authority has previously adopted Bond Issuance Guidelines establishing required and desired elements of Authority bond financings, which is attached hereto as **Exhibit A** (dated 9/28/2000) (the "2000 Guidelines");

WHEREAS, the Authority has previously adopted revised Bond Issuance Guidelines for Investment Grade Public Offerings, revising the required and desired elements of Authority bond financings for borrowers with an investment grade credit rating, which is attached hereto as **Exhibit B** (dated 9/30/2010) (the "2010 Guidelines");

WHEREAS, the Authority has previously adopted revised Bond Issuance Guidelines for Non-Investment Grade and Unrated Debt, revising the required and desired elements of Authority bond financings for borrowers with a non-investment grade credit rating or without a credit rating, which is attached hereto as **Exhibit C** (dated 10/25/2012) (the "2012 Guidelines");

WHEREAS, the State Treasurer's Office ("STO") collaborated with CHFFA staff and the staff of other conduit debt issuing authorities that the Treasurer chairs to develop uniformly applicable model debt issuance guidelines; and

WHEREAS, the model debt issuance guidelines, with necessary changes for their application to the Authority, are attached hereto as **Exhibit D** (the "Debt Issuance Guidelines").

NOW, THEREFORE, BE IT RESOLVED by the California Health Facilities Financing Authority as follows:

Section 1. The updated Debt Issuance Guidelines attached hereto as Exhibit D are hereby approved and replace the 2010 and 2012 Guidelines.

Section 2. The Authority hereby delegates to the Executive Director and/or the Deputy Executive Director the authority to make procedural and other non-substantive revisions to the Debt Issuance Guidelines. The Executive Director and/or the Deputy Executive Director shall report any such exercises of delegated authority to the Authority at its next meeting.

Section 3. The Executive Director and/or the Deputy Executive Director are hereby authorized and directed to take any and all other actions necessary, convenient, or desirable in the effectuation and application of these Debt Issuance Guidelines.

Section 4. This resolution shall take effect immediately upon its approval.

Date of Adoption: ____________________________

Attachments:

Exhibit A – CHFFA 2000 Guidelines
Exhibit B – CHFFA 2010 Guidelines
Exhibit C – CHFFA 2012 Guidelines
Exhibit D – CHFFA Debt Issuance Guidelines

CHFFA BOND ISSUANCE GUIDELINES PER BOND RATING CATEGORY

While all projects must demonstrate financial feasibility, these guidelines describe what CHFFA would expect to see given a transaction (or borrower) with a particular rating (or no rating). The Authority would reserve the right to use its discretion as necessary and appropriate. The Authority acknowledges that each financing must be reviewed individually and exceptions to these guidelines may be considered if the applicant demonstrates that such exception is a necessary part of a cost-effective and prudent borrowing strategy. Conversely, the Authority retains the flexibility to request additional provisions as circumstances warrant.

<table>
<tr><th>BOND RATING [1]</th><th>LOAN SECURITY PROVISIONS</th><th>BOND COVENANTS</th></tr>
<tr><td>I. A-/A-/A3 or Better Rated Debt (public offering)</td><td>• Unconditional Promise to Pay
• Gross Revenue Pledge
• For systems, an obligated group structure – joint and several obligation is preferred. Will consider corporate style structures for stronger rated systems on a case-by-basis.</td><td><u>Reporting Covenants</u>:
• Annual submission of Certificate of Compliance with CHFFA Statute, Continuing Disclosure (if applicable), financial and other covenants
• Submission of required Arbitrage Reports to Authority
• Annual Audited Financial Statements
• Quarterly submission of unaudited financials, if requested
<u>Financial Covenants</u>:
(See Financial Covenants below)</td></tr>
<tr><td>II. BBB+/BBB+/Baa1 (public offering)</td><td>• Unconditional Promise to Pay
• Gross Revenue Pledge
• For systems, must use an obligated group structure – joint and several obligation
• Debt Service Reserve Account funded to the maximum amount permitted by federal tax law for such series (currently, the least of 10% of principal amount of bonds, maximum annual debt service or 125% of average annual debt service). Must be funded at all times with internal cash, bond proceeds, or qualifying letter of credit or surety bond
• Minimum denominations of $100,000
• Bonds cannot be split by selling participatory shares</td><td rowspan="2"><u>Legal Covenant</u>:
♦ Must comply with Section 15438.5 (c) of the Government Code

<u>Reporting Covenants</u>:
• Annual submission of Certificate of Compliance with CHFFA Statute, Continuing Disclosure (if applicable), financial and other covenants of bond documents
• Submission of required Arbitrage Reports to Authority
• Annual Audited Financial Statements
• Submit quarterly unaudited financials, if requested

<u>Financial Covenants:</u>
• Maintain appropriate rates and charges to maintain a minimum coverage ratio of at least 1.25 times maximum annual debt service
• Must submit annual reports that show that the coverage is being met, per certification of the financial officer
• If the coverage falls below the minimum ratio, must engage a management consultant which shall report its recommendations for corrective actions
• Must maintain minimum 1.25 coverage to take on additional debt

<u>Other Covenants</u>:
• Other covenants as appropriate</td></tr>
<tr><td>III. Less than BBB+/BBB+/Baa1 or Unrated Debt</td><td>• Must be privately placed (in both primary and secondary markets), with appropriate disclosure, with a “Qualified Institutional Buyer” as defined by SEC Rule 144A, promulgated under the Securities Act of 1933
• Minimum denomination of $250,000
• Unconditional Promise to Pay
• Gross Revenue Pledge
• Debt Service Reserve Account (must be funded at all times with internal cash, bond proceeds, letter of credit or surety bond)
• Bonds cannot be split by selling participatory shares</td></tr>
<tr><th>BORROWER RATING [1]</th><th>LOAN SECURITY PROVISIONS</th><th>BOND COVENANTS</th></tr>
<tr><td>IV. Unrated Debt for Equipment Program (for equipment purchases generally $5 million or less)

Private placements for <u>health</u> <u>facilities</u> with current debt ratings of BBB+/BBB+/Baa1 or higher (generally reserved for smaller transactions)</td><td>• Must be privately placed (in both primary and secondary markets), with appropriate disclosure, with a “Qualified Institutional Buyer” as defined by SEC Rule 144A, promulgated under the Securities Act of 1933
• Minimum denomination of $100,000
• Bonds cannot be split by selling participatory shares</td><td>Legal <u>Covenant</u>:
♦ Must comply with Section 15438.5 (c) of the Government Code

Reporting <u>Covenants</u>:
• Annual submission of Certificate of Compliance with CHFFA Statute, financial and other covenants
• Submission of required Arbitrage Reports to Authority
• Annual Audited Financial Statements
Submit quarterly unaudited financials, if requested</td></tr>
</table>

(1) Refers to rating categories used by Standard & Poor’s/Fitch/Moody’s

Version: 9/28/2000

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

INVESTMENT GRADE PUBLIC OFFERINGS

Borrower must obtain an Investment Grade Rating from at least one nationally recognized rating agency on bonds to be issued; BBB-/BBB-/Baa3 or better from S&P/Fitch/Moody's.
For Variable Rate Bonds that may be converted to Fixed Rate Bonds without further CHFFA action, Indenture provisions shall require confirmation prior to the conversion that an Investment Grade Rating will apply to the bonds following conversion.
If proposed bonds have more than one rating, the highest rating shall be used to determine compliance except when one of the ratings falls below BBB-/BBB-/Baa3, regardless of the higher rating CHFFA will not treat the requested bonds as having an Investment Grade Rating.

Version: 9/30/2010

CHFFA BOND ISSUANCE GUIDELINES
Less than BBB-/BBB-/Baa3 or Unrated Debt

While all projects must demonstrate financial feasibility, these guidelines describe what CHFFA would expect to see given a transaction (or borrower) with a particular rating (or no rating). The Authority would reserve the right to use its discretion as necessary and appropriate. The Authority acknowledges that each financing must be reviewed individually and exceptions to these guidelines may be considered if the applicant demonstrates that such exception is a necessary part of a cost-effective and prudent borrowing strategy. Conversely, the Authority retains the flexibility to request additional provisions as circumstances warrant.

BOND RATING[1]	LOAN SECURITY PROVISIONS
Less than BBB-/BBB-/Baa3 or Unrated Debt	• Must be privately placed with and transferred only to a "Qualified Institutional Buyer" as defined by SEC Rule 144A, promulgated under the Securities Act of 1933 • Minimum denomination of $250,000 • Unconditional Promise to Pay from Borrower • Investor Letter required at issuance[2] • Bond transfer restrictions must be noted conspicuously on the bond itself • Bonds must be physically delivered[3]
Unrated debt for Equipment Program (for equipment purchases generally $5 million or less)	• Must be privately placed with and transferred only to a "Qualified Institutional Buyer" as defined by SEC Rule 144A, promulgated under the Securities Act of 1933 • Minimum denomination of $100,000

Version: 10/25/2012

1 Refers to rating categories used by Standard & Poor's/Fitch/Moody's.
2 The Authority reserves the right to discuss and require a Traveling Investor Letter as circumstances may warrant.
3 If a Borrower prefers book-entry DTC and provides a reasonable rationale for its use to the Authority, the Authority will consider reassurances that subsequent transfers will comply with applicable transfer restrictions.

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
DEBT ISSUANCE GUIDELINES

These guidelines set forth debt issuance provisions the California Health Facilities Financing Authority (the "Authority") will require for financing transactions issued through the Authority. In addition to these debt issuance provisions, the Authority will also require each financing to adhere to the Authority's general requirements for debt issuance. Each financing will be reviewed individually and the Authority, in its sole and absolute discretion, may approve exceptions to these guidelines, require additional issuance provisions, or both.

Ratings by rating agencies other than Moody's Investors Service, Inc. (Moody's), S&P Global Ratings (S&P), Fitch Ratings, Inc. (Fitch), or Kroll Bond Rating Agency, LLC (KBRA) will not be considered for purposes of complying with these guidelines. If debt has more than one rating, the lowest rating shall be considered the relevant rating for purposes of the guidelines.

RATING	ISSUANCE PROVISIONS
I. Minimum Requirements for Debt Rated BBB- (by S&P, Fitch, and/or KBRA)/Baa3 (by Moody's)/or Higher **(collectively, the "Minimum Public Rating")**	• Bonds may be issued and sold through a public offering, private placement or limited public offering with appropriate disclosure. • Bonds may be issued in $5,000 denominations or such other denominations approved by the Authority. • Bond documents may permit bonds to be converted to other modes without further action by the Authority.
II. Minimum Requirements for Debt Rated below BBB- (by S&P, Fitch, and/or KBRA)/Baa3 (by Moody's)/ or Unrated **(collectively, a "Sub-Minimum Rating")**	• Bonds must be sold in either a limited public offering or a private placement. • Bonds must be initially purchased by either (1) Qualified Institutional Buyers as defined under Rule 144A of the Securities Act of 1933 ("QIBs"); or (2) Institutional Accredited Investors as defined under Section 501(a) of Regulation D falling under the following paragraphs of such definition: (1), (2), (3), (7), (8), (9), or (12) ("Qualified AIs"). • Bonds must be purchased in minimum denominations of at least $100,000, and $5,000 in excess thereof. • Each Initial bond purchaser will be required to execute and submit a Sophisticated Investor Letter in form and content satisfactory to the Authority.

<table>
<tr><th>RATING</th><th>ISSUANCE PROVISIONS</th></tr>
<tr><td>II. “Sub-Minimum Rating”)
(Continued)</td><td>• Appropriate Bond documents, including the Indenture and the face of each Bond, must contain a provision that prohibits initial sales and subsequent transfers of Bonds unless the initial purchaser or transferee is a QIB or a Qualified AI and in minimum denominations of at least $100,000, and $5,000 in excess thereof.
• Initial purchaser restrictions and transfer restrictions must be prominently displayed and described in detail on the cover of any offering materials/disclosure document.</td></tr>
<tr><td>III. Minimum Requirements for all Debt with a Sub-Minimum Rating purchased on behalf of initial investors by a Bondholder Representative</td><td>• The Bondholder Representative must be a QIB and a registered investment advisor responsible for managing at least $1 billion in assets.
• The Bondholder Representative must identify the number of client accounts (“Represented Account”) that it represents will be purchasing the Bonds.
• The Bondholder Representative must have complete discretion and authority over the Represented Account to acquire and dispose of investments on behalf of the initial investor(s) it represents.
• Each client who will be the holder of the Bonds must meet the applicable purchase guidelines described in Section II and all restrictions set forth in Section II will apply (except as provided in this Section III).
• The Bondholder Representative must execute a Bondholder Representative Letter substantially similar to the Sophisticated Investor Letter that would otherwise be required by initial investors. The Bondholder Representative Letter must be in form and content satisfactory to the Authority and represent that, among other things:
o The Bondholder Representative satisfies all requirements contained in this Section III.
o All initial investors that will purchase Bonds are aware of, and agree to comply with, the restrictions associated with the debt, as outlined above, and are aware of the risks associated with such restrictions.</td></tr>
</table>