

**CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY**

<p>Applicant: Chinese Hospital Association ("CHA") 845 Jackson Street San Francisco CA 94133 (San Francisco County)</p>	<p>Amount Requested: \$65,000,000 Requested Loan Term: Up to 40 years Authority Meeting Date: September 27, 2012 Resolution Number: 383</p>																												
<p>Project Location: 835 & 845 Jackson Street, San Francisco, CA (San Francisco County) Facility Type: Acute Care and Skilled Nursing Eligibility: Government Code 15432(d)(1) and (3) Prior Borrower: Yes, part of the 1985 Series B Pooled Financing, which was redeemed.</p>																													
<p>Background: Established in 1924, CHA owns and operates a 54-bed acute care hospital located in the Chinatown neighborhood of San Francisco servicing patients from virtually all communities in San Francisco and Daly City. CHA also operates three outpatient clinics in the San Francisco area which collectively provide primary care, specialty care and ambulatory services. Please see Exhibit 2 for more particular utilization statistics.</p>																													
<p>Use of Proceeds: Bond proceeds will be used to finance and/or reimburse the costs of constructing and equipping a new eight story hospital and converting the existing hospital to a multi-use facility, including administrative support, an outpatient clinic and a laboratory. (Please see page two for more descriptive detail and Exhibit 5 for more visual detail).</p>																													
<p style="text-align: center;">Type of Issue: Negotiated public offering with fixed rate bonds (Expected minimum denominations of \$5,000)</p> <p style="text-align: center;">Credit Enhancement: Cal-Mortgage Insurance (approval secured on 9-13-2012)</p> <p style="text-align: center;">Expected Credit Rating: A- (S&P) based on Cal-Mortgage Insurance</p> <p style="text-align: center;">Financing Team: <i>Please see Exhibit 1 to identify possible conflicts of interest</i></p>																													
<p>Financial Overview: CHA appears to exhibit strong operating results over the review period and appears to have a solid financial position with a proforma debt service coverage ratio of 2.70x.</p>																													
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<p>*CHA will use approximately \$110 million of its own equity to finance this project.</p>																													
<p>Due Diligence: 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 383 in an amount not to exceed \$65,000,000 subject to the conditions in the resolution, including the credit enhancement to be afforded by Cal-Mortgage Insurance. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Public Financial Management ("PFM"), Inc., the Authority's financial advisor, concur with the Authority's staff recommendations.</p>																													

I. PURPOSE OF FINANCING:

CHA seeks to provide more efficient, higher quality and technologically advanced services to the San Francisco Bay Area communities. The plan is to construct a new hospital and to renovate the existing hospital to address growing demand and seismic compliance.

***Project Costs* \$150,311,000**

CHA plans to use bond proceeds to construct and equip a new replacement hospital, renovate an existing facility and reimburse expenses related to the construction costs. The proposed project consists of:

- 1) demolishing a 31,740 square foot facility (and attendant parking structure), constructed in 1925, located at 835 Jackson Street which is currently being used as office space and to replace these structures with an eight story new hospital; and
- 2) renovating the adjacent 41,230 square foot hospital building, constructed in 1979, located at 845 Jackson Street to be converted to house hospital support facilities, administrative offices, an outpatient clinic, and a laboratory.

The combined capacity of both buildings will increase from approximately 73,000 to 100,000 square feet which will include 54 acute beds and an additional, new 22 skilled nursing beds. The new nursing beds will allow CHA to provide a full continuum of care to its patients within the same hospital facility rather than transferring the patients to an off-site facility. The new hospital will provide larger acute care rooms that can accommodate modern clinical equipment, increasing the quality of patient care and providing additional privacy. Please refer to Exhibit 5 for more detail, including a diagram showing the intended layout of the new facility.

CHA will continue to provide all patient services located at 845 Jackson Street during the construction period until the new hospital located at 835 Jackson Street is completed. In addition, CHA will be leasing administrative and clinical space, as well as a parking garage in neighboring areas, as part of its transition plan.

The estimated total cost of the new hospital and renovation is approximately \$150 million. CHA has spent roughly \$22 million in architectural and engineering costs and may elect to reimburse all or portion of this amount at the time of financing. The remaining cost will be funded through CHA’s cash reserves and bond proceeds. Construction begins in December 2012 and is expected to be complete in 2016.

<i>Capitalized Interest</i>		14,497,000
<i>Debt Service Reserve Fund</i>		5,361,000
<i>Cal-Mortgage Insurance Fees</i>		3,277,000
<i>Financing Costs</i>		<u>1,300,000</u>
<i>Estimated Cost of Issuance</i>	\$650,000	
<i>Estimated Underwriter's Discount</i>	<u>650,000</u>	
Total Uses of Funds		<u>\$174,746,000</u>

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II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

Cal-Mortgage Insurance.

Chinese Hospital Association ("CHA") applied and was approved for insurance ("Insurance") covering payment of principal and interest on the Bonds ("Bonds") by the Office of Statewide Health Planning and Development ("Cal-Mortgage"). As the provider of the Insurance, Cal-Mortgage will determine the covenants and security provisions which will apply to this transaction.

These covenants will be incorporated into the regulatory agreement ("Regulatory Agreement") to be entered into in connection with the issuance of the Bonds among CHA, Cal-Mortgage and the Authority. In addition, Cal-Mortgage is requiring that Chinese Community Health Plan, a wholly owned subsidiary of CHA, be a party to the Regulatory Agreement as to certain provisions set forth in the Regulatory Agreement, because as a wholly owned subsidiary of CHA, Chinese Community Health Plan is included in the audited financial statements of CHA. Chinese Community Health Plan is not obligated to pay debt service on the Bonds.

Subsequent to execution of the Regulatory Agreement and the issuance of the Bonds, pursuant to the provisions of the Regulatory Agreement, consent of the Authority is required to amend the covenants relating to debt service coverage, compliance with law and maintenance of facilities, taxes, assessments and governmental charges, insurance, workers' compensation, insurers, title insurance and disposition of insurance and condemnation proceeds. Other covenants set forth in the Regulatory Agreement may be amended with the approval of Cal-Mortgage without securing the consent of the Authority.

After reviewing CHA's credit profile, including its current financial profile and current market requirements, and taking into account the Insurance being provided by Cal-Mortgage, CHA, the financial advisor to CHA, the underwriter of the Bonds and Public Financial Management, Inc. have concluded that the covenants listed below should be applicable to this transaction.

The covenants listed below are applicable to this transaction.

Note that, excluding the unconditional promise to pay, the covenants described below may be subject to (i) further negotiation between Cal-Mortgage and CHA and (ii) modification subsequent to Authority Board action on the Resolution relating to the Bonds. The Authority will defer to Cal-Mortgage's decision with respect to any such modifications.

Unconditional Promise to Pay. *CHA agrees to pay to Wells Fargo Bank, National Association, as trustee for the Bonds ("Trustee"), all amounts required for payment of the principal, interest and reserve account deposits with respect to the Bonds and agrees to pay the additional payments and expenses specified in the loan agreement ("Loan Agreement") to be entered into between CHA and the Authority relating to the Bonds. All Revenues as such term is defined in the bond indenture ("Indenture") pursuant to which the Bonds will be issued (which will include payments by CHA under the Loan Agreement) and amounts held in the funds and accounts under the Indenture (excluding the Rebate Fund) will be pledged to secure the full payment of the Bonds.*

Deed of Trust. *The obligations of CHA under the Loan Agreement will be secured by a deed of trust ("Deed of Trust"). Note that the lien of the Deed of Trust may be released with the consent of Cal-Mortgage, but without the consent of the Authority or the bondholders.*

Pledge of Gross Revenues. *Pursuant to the Loan Agreement, CHA pledges to deposit all of its Gross Revenues (as such term is defined in the Indenture) into a Gross Revenue Fund (as such term is defined in the Indenture). If there is a failure to make a payment required pursuant to the Loan Agreement, the Trustee may exercise control over the Gross Revenue Fund for the benefit of the bondholders and Cal-Mortgage.*

Limitation on Liens; Permitted Encumbrances. *CHA agrees not to create, assume or suffer to exist any lien upon its property other than the Permitted Encumbrances (as such term is defined in the Regulatory Agreement).*

Debt Service Reserve. *The Bonds shall be secured by a bond reserve account that will be funded at the time of issuance of the Bonds in such amount as shall be acceptable to Cal-Mortgage. The bond reserve account will be available to make principal and interest payments if CHA fails to make timely payments pursuant to the Loan Agreement.*

Debt Service Coverage Requirement. *Pursuant to the Regulatory Agreement, CHA will be required to maintain a debt service coverage ratio of 1.25 times maximum annual debt service.*

Limitations on Additional Indebtedness. *CHA agrees not to incur additional Indebtedness unless authorized by the provisions set forth in the Loan Agreement, which provisions reference the provisions of the Regulatory Agreement.*

Limitations on Disposition of Property and Cash. *CHA agrees not to sell, lease, sublease, assign, transfer, encumber or otherwise dispose of any of its facilities or dispose of any cash or cash equivalents unless authorized by the provisions set forth in the Loan Agreement, which provisions reference the provisions of the Regulatory Agreement.*

Limitations on Acquisition of Property, Plant and Equipment. *CHA agrees not to acquire additional property, plant and equipment unless authorized by the provisions set forth in the Loan Agreement, which provisions reference the provisions of the Regulatory Agreement.*

Comply with SEC Rule 15c2-12. *CHA will take such action as is necessary to assist the underwriter to comply with Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"). CHA will contractually agree to disclose designated financial and operating information to the designated website (EMMA) during the life of the Bonds and to report designated "material events" as specified in Rule 15c2-12.*

Staff has reviewed the entirety of this financing package and finds it to be acceptable.

III. FINANCIAL STATEMENTS AND ANALYSIS:

**Chinese Hospital Association
Statements of Operations
(Unrestricted)**

	As of December 31,		
	2011	2010	2009
Revenues, gains, and other support:			
Net patient service revenues ^(a)	\$ 41,958,113	\$ 43,437,018	\$ 39,790,897
Capitation revenues ^(a)	56,577,074	52,901,073	50,864,577
Other revenues	1,461,723	1,099,288	1,020,121
Net assets released from restrictions for operations	715,825	-	-
Total revenue	<u>100,712,735</u>	<u>97,437,379</u>	<u>91,675,595</u>
Expenses:			
Salaries and benefits	36,178,256	33,230,965	31,810,644
Supplies	10,655,162	10,717,133	11,527,917
Purchased services	11,506,387	10,944,378	10,475,624
Professional fees	3,454,274	3,363,188	3,542,820
Medical claims expense ^(b)	21,818,601	17,096,935	20,943,476
Insurance	308,939	314,641	384,507
Medi-Cal Quality Assurance fee	1,135,154	3,368,547	-
Depreciation and amortization	2,336,412	2,451,648	2,663,168
Interest	-	-	-
Provision for bad debts	184,475	176,408	314,631
Other	1,161,324	984,889	921,224
Total expenses	<u>88,738,984</u>	<u>82,648,732</u>	<u>82,584,011</u>
Income from operations	11,973,751	14,788,647	9,091,584
Non-operating income:			
Investment income	5,298,873	5,005,233	4,170,604
Unrestricted gifts and bequests	193,200	198,165	112,649
Total non-operating income	<u>5,492,073</u>	<u>5,203,398</u>	<u>4,283,253</u>
Income before income tax expense	17,465,824	19,992,045	13,374,837
Income tax expense ^(b)	<u>564,716</u>	<u>316,020</u>	<u>570,000</u>
Excess of revenues & non-operating income over expenses	16,901,108	19,676,025	12,804,837
Change in unrealized gains on marketable securities	32,574	704,381	4,916,307
Change in minimum pension liability	(8,589,196)	(2,877,404)	3,029,624
Other	-	(438,817)	-
Increase in unrestricted net assets	<u>8,344,486</u>	<u>17,064,185</u>	<u>20,750,768</u>
Unrestricted net assets - beginning of year	<u>133,728,798</u>	<u>116,664,613</u>	<u>95,913,845</u>
Unrestricted net assets - end of year	<u>\$ 142,073,284</u>	<u>\$ 133,728,798</u>	<u>\$ 116,664,613</u>

<u>(a) Pavors Source</u>	<u>Percent</u>
Net patient service revenue	
Medicare	16
Medi-Cal	9
Commercial	17
Capitation revenue *	<u>58</u>
Total	<u>100</u>

* Includes capitation revenue received pursuant to capitated Medicare, Medi-Cal and commercial pay or programs.

^(b) CHA is a tax-exempt organization and is generally not subject to income taxes on any net income; however CHA remains subject to income taxes on any net income that is generated from business that it was not granted an exemption for.

**Chinese Hospital Association
Balance Sheet**

	As of December 31,		
	2011	2010	2009
Current assets:			
Cash and cash equivalents	\$ 19,349,149	\$ 10,515,092	\$ 13,021,196
Short-term investments	3,500,000	9,000,000	2,490,656
Receivables:			
Patient accounts receivables, net	4,650,586	3,567,814	3,645,202
Premiums	-	-	5,140,700
Risk-sharing settlements and other	1,099,549	720,114	916,127
Estimated third party payor settlements	-	30,740	-
Due from CCHP ^(a)	216,334	706,541	270,911
Total receivables	5,966,469	5,025,209	9,972,940
Supplies in inventory	891,279	763,628	768,351
Prepaid expenses and other current assets	729,930	557,075	727,124
Total current assets	30,436,827	25,861,004	26,980,267
Assets whose use is limited:			
Board designated investments	97,634,982	87,704,528	71,238,289
Operating reserve investments	11,052,162	10,449,795	9,961,923
Held by third party	-	-	-
Restricted by donor	7,429,542	5,704,949	3,985,716
Total assets whose use is limited	116,116,686	103,859,272	85,185,928
Receivables under charitable remainder unitrusts	715,825	438,817	438,817
Property, plant, and equipment, net	30,521,027	28,974,186	26,004,958
Long-term investments	250,000	-	-
Mortgage receivable from CCHP ^(a)	3,936,725	4,172,264	-
Unamortized financing costs, net	-	-	14,937
Investment in and note receivable from CCHP ^(a)	2,490,635	2,490,635	6,860,254
Other assets	743,621	-	-
Total assets	\$185,211,346	\$165,796,178	\$145,485,161

(continued)

^(a) Chinese Community Health Plan (CCHP)

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**Chinese Hospital Association
Balance Sheet**

	As of December 31,		
	2011	2010	2009
Current liabilities:			
Accounts payable and accrued expenses	\$ 3,171,143	\$ 2,634,215	\$ 4,373,515
Accrued payroll and related liabilities	2,731,102	2,454,758	2,148,026
Accrued medical claims	3,849,014	3,657,168	4,289,955
Risk-sharing settlements and other liabilities	2,695,790	3,034,744	3,365,074
Estimated third party payor settlements	640,459	-	135,301
Due to Chinese Community Health Plan	101,251	-	-
Current maturities of long-term debt	-	-	264,100
Total current liabilities	13,188,759	11,780,885	14,575,971
Additional minimum pension liability	21,539,584	13,142,729	9,820,044
Other long term liabilities	5,177	-	-
Total liabilities	34,733,520	24,923,614	24,396,015
Net assets:			
Unrestricted	142,073,284	133,728,798	116,664,613
Temporarily restricted	8,376,023	7,115,247	4,396,014
Permanently restricted	28,519	28,519	28,519
Total net assets	150,477,826	140,872,564	121,089,146
Total liabilities and net assets	\$185,211,346	\$165,796,178	\$145,485,161

Financial Ratios:

	Proforma^(a)			
	<u>FYE December 31, 2011</u>			
Debt Service Coverage - Operating (x)	2.70	N/A	65.3	29.6
Debt Service Coverage - Net (x)	2.02	N/A	73.9	59.0
Debt to Unrestricted Net Assets (x)	0.46	-	-	-
Margin (%)		11.9	15.2	9.9
Current Ratio (x)		2.3	2.2	1.9

^(a) Recalculates FY 2011 audited results to include the impact of this proposed financing.

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Please note that only CHA's audited financial statements were analyzed in this section and not the consolidated financial statements since the Chinese Community Health Plan, a wholly-owned subsidiary of CHA, is not obligated to make payments with respect to the bonds.

Financial Discussion - Statement of Activities (Income Statement)

CHA appears to exhibit strong operating results over the review period.

Particular Facts to Note:

- CHA's operating margin is a healthy 11.9% in FY 2011, exhibiting continuous strong operating margins from 15.2% in FY 2010 and 9.9% in FY 2009. CHA's total revenues increased significantly from approximately \$91.7 million in FY 2009 to \$100.7 million in FY 2011, an increase of approximately 9.8%, while expenses increased at a slower pace (7.4%) from approximately \$82.6 million in FY 2009 to \$88.7 million in FY 2011. CHA attributes the increase in revenue to increases in capitation revenues,¹ increases in patient volumes and continued improvements in CHA's pricing strategies, contract negotiations, and billing and collections. CHA notes expenses increased primarily because of salary and benefit increases (\$31.8 million in FY 2009 to \$36.2 million in FY 2011) or roughly 13.7%.
- The Medi-Cal Quality Assurance fee program was enacted in January 2010 by the State of California and provides supplemental Medi-Cal payments as well as matching federal funds to participating hospitals. In FY 2010, CHA recorded approximately \$3.4 million in Medi-Cal Quality Assurance fee expenses and \$1.1 million in FY 2011. The associated supplemental payments for these two fiscal years were \$3.6 million and \$1.9 million, respectively, resulting in a positive net impact of \$200,000 in FY 2010 and \$800,000 in FY 2011.
- During the review period, the pension liability increased approximately \$2.9 million in FY 2010 and \$8.6 million in FY 2011 primarily due to a decrease in the discount rate used to calculate pension liability from 5.50% in FY 2010 to 4.35% in FY 2011, as well as a market downturn resulting in reduced investment returns. In an effort to better control pension plan expenditures, CHA's management changed its pension program for all new employees hired after January 1, 2010 to a defined contribution plan, with some exceptions.
- In FY 2011, approximately 59% of CHA's net patient revenue derived from Medicare and Medicaid programs. Although CHA has a high Medicare and Medicaid share, CHA has been able to produce favorable financial results. According to CHA, it is unable to predict the impact of healthcare reform legislation at this time, but it is actively engaged in assessing the reform's effect on the organization's system and will be formally updating its strategic plan to better prepare for the changes required of healthcare reform. CHA is continuously working to improve its patient service utilization and quality knowing that healthcare reform is intended to reduce Medicare and Medicaid reimbursement.

¹ CHA has agreements with various health maintenance organizations to provide medical services to its participants, and CHA receives monthly capitation payments based on the number of participants, regardless of services performed.

Financial Discussion - Statement of Financial Position (Balance Sheet)

CHA appears to have a solid financial position with a proforma debt service coverage ratio of 2.70x.

CHA's balance sheet has grown with total unrestricted net assets from \$116.7 million in FY 2009 to \$142.1 million in FY 2011, an increase of nearly 21.8%. CHA attributes the growth primarily to increasing positive operating results in patient volumes and continued improvements in CHA's pricing strategies, contract negotiations, billing and collections.

CHA currently has no financing debt as it embarks on this bond financing to build its new replacement hospital; which is the reason behind no operating debt service coverage ratio for FY 2011. In FY 2009 and FY 2010, CHA had minimal debt that has since been paid off resulting in debt to unrestricted net assets ratios as well as an operating debt service coverage ratio of approximately zero. With this proposed bond financing, the proforma operating debt service coverage ratio appears to be a solid 2.70x, indicating CHA's ability to likely manage the new debt.

Particular Facts to Note:

- According to CHA's management, cash and cash equivalents increased significantly over the review period from approximately \$13 million in FY 2009 to \$19.4 million in FY 2011 primarily due to cash provided from operations. In addition, in FY 2010 CHA allocated a portion of its short-term investments to cash and cash equivalents.
- In FY 2009, CHA had premium receivables in the amount of approximately \$5.1 million due to Chinese Community Health Plan's (CCHP)² receipt of additional revenue from Medicare, a portion of which was then passed along to its service provider, CHA.
- CHA's property, plant, and equipment increased from approximately \$26 million in FY 2009 to \$30 million in FY 2011 due to hospital facility replacement costs.

² Chinese Community Health Plan is a for-profit organization that is solely owned by CHA. It serves as a third-party administrator to the CHA hospital.

- According to CHA, its total liabilities increased from approximately \$24.4 million in FY 2009 to \$34.7 million in FY 2011 primarily due to an increase in pension liability, which more than doubled. The pension liability increased largely due to the market downturn and a drop in the expected rate of investment return. In order to better control its pension plan expenditures, CHA's management changed its pension program for all new employees hired after January 1, 2010 to a defined contribution plan, with some exceptions.
- In response to market changes, CHA has shortened the duration of the investment portfolio and decreased exposure to corporate fixed income securities.
- Temporarily restricted net assets increased from approximately \$4.4 million in FY 2009 to \$8.4 million in FY 2011 which, according to CHA, was due to the New Hospital Project campaign. For FYs 1997 through FY 2008, CHA averaged approximately \$475,000 in annual New Hospital Project donations. For FY 2009 through FY 2011, CHA averaged over \$1.2 million annually. According to CHA, donations and pledges are expected to exceed \$3.5 million for FY 2012.

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IV. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Savings Pass Through):** CHA properly completed and submitted the “Pass-Through Savings Certification” in addition to a narrative explaining how it intends to pass along savings.
- **Section 15491.1 of the Act (Community Service Requirement):** CHA properly completed and submitted this certification and indicated that Medi-Cal and Medicare patients are accepted.
- **Compliance with Seismic Regulations:** CHA 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):** CHA properly submitted relevant documentation addressing CEQA.
- **Religious Affiliation Due Diligence.** CHA properly completed and submitted relevant documentation to meet the religious due diligence requirement.
- **Legal Review.** CHA properly completed and submitted relevant documentation for the Authority’s Legal Questionnaire.
- **Iran Contracting Act Certificate:** CHA and the underwriters properly submitted the certificate to the Authority.

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EXHIBIT 1

FINANCING TEAM

CHINESE HOSPITAL ASSOCIATION

Trustee: Wells Fargo Bank, N.A.

Issuer's Counsel: Office of the Attorney General

Issuer's Financial Advisor: Public Financial Management, Inc.

Issuer's Financial Analyst: Macias Gini & O'Connell, LLP

Bond Counsel: Orrick, Herrington & Sutcliffe

Borrower's Counsel: Pillsbury, Winthrop, Shaw, Pittman LLP

Borrower's Financial Advisor: Kaufman Hall & Associates

Underwriters: Bank of America Merrill Lynch

Underwriter's Counsel: Squire Sanders

Auditor: KPMG

Rating Agency: S&P and/or Fitch (final decision TBD)

Bond Insurance: Office of Statewide Health Planning and
Development (Cal-Mortgage)

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EXHIBIT 2
UTILIZATION STATISTICS
CHINESE HOSPITAL ASSOCIATION

The following table shows utilization statistics of CHA for the fiscal years ended December 31, 2009, 2010 and 2011:

	Fiscal Year Ended December 31,		
	2009	2010	2011
Patient Days	10,891	11,056	10,945
Discharges	2,045	1,942	1,917
Average Length of Stay (Days) ⁽¹⁾	5.33	5.69	5.71
Outpatient Visits	74,079	71,034	71,490

Source: The Association

⁽¹⁾ Average length of stay is defined as patient days, divided by discharges.

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EXHIBIT 3
OUTSTANDING DEBT
CHINESE HOSPITAL ASSOCIATION

Currently, CHA does not have any outstanding long-term debt. With this proposed bond issuance, CHA will take on new debt in the amount of approximately \$65 million.

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EXHIBIT 4

BACKGROUND, GOVERNANCE AND LICENSURE

Background

Established in 1924, Chinese Hospital Association (“CHA”) is a California nonprofit public benefit corporation that owns and operates a 54-bed acute care hospital that is located in the Chinatown neighborhood of San Francisco, California and services patients from virtually all communities in San Francisco and Daly City. CHA operates three outpatient clinics that provide primary care, specialty care and ambulatory services. These clinics are: Excelsior Health Services, Sunset Health Services, and Daly City Health Services which are all located in the San Francisco area.

CHA has responded to the growing needs of the community by expanding services, establishing three outpatient clinic facilities and adopting medical technologies to streamline operation and enhance patient outcomes. In addition, CHA established and currently operates a health care services plan licensed under the Knox-Keene Health Care Services Act of 1975 through a wholly-owned subsidiary, Chinese Community Health Plan (“Health Plan”). The Health Plan is not obligated to make payments with respect to the Bonds.

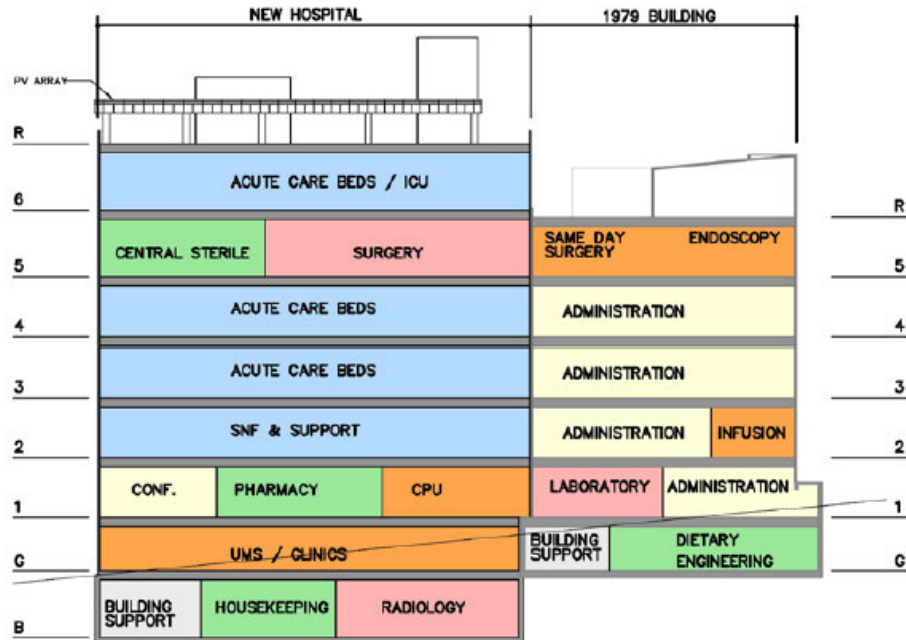
Corporate Governance

CHA’s Board consists of 16 members, 15 of whom represent the community, family, the benevolent organization that founded CHA, and one of whom is representative of the medical staff at the CHA. Each of the 15 founding organizations appoints one member to the Board, and the medical staff elects its representative. Each member of the Board serves a one-year term that begins in January of each year. There are no limits on the number of terms a member can serve, but no member may serve as President of the Board for more than two consecutive terms.

Licensure, Certification and Accreditation

CHA is licensed by the State of California Department of Health Services and accredited by The Joint Commission and the California Medical Association’s Institute for Medical Quality. In addition, CHA is certified for participation in Medicare and Medi-Cal and is approved as an eligible health care provider in various commercial insurance and managed care programs. The Skilled Nursing Unit beds will be added onto the existing California Department of Public Health License. The application is presently underway.

EXHIBIT 5 DIAGRAM



The replacement hospital facility will include 54 acute care beds and a 22 bed skilled nursing unit, to be located on the site of the existing Chinese Hospital Association hospital and administration facilities located in Chinatown in San Francisco at 835 Jackson Street.

Construction of the replacement hospital on the existing Chinese Hospital facilities site will involve demolishing two structures, the existing administration building, the original Chinese Hospital, which was opened in 1925, and the three-story garage located behind the administration building, and the renovation of the adjacent 1979 building which currently houses the acute care hospital. The proposed new hospital building will be seven stories plus a basement level. The basement level is expected to house radiology, building support systems (electrical, mechanical, telephone/data) and housekeeping. The street or ground level is expected to house urgent medical care/services and clinics. The first upper level is expected to house pharmacy, the cardio/pulmonary unit and meeting/conference rooms. The second upper level is expected to house the 22 bed skilled nursing unit. The third and fourth levels are expected to house acute care patient rooms, the fifth level is expected to house surgery, including three (3) operating rooms, post anesthesia care and central sterile supply. The sixth level is expected to house intensive care and additional acute care rooms. The 1979 building will be converted to house hospital support facilities, administrative offices and an outpatient clinic.

RESOLUTION NO. 383

**RESOLUTION OF THE
CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
RELATING TO THE ISSUANCE OF
INSURED REVENUE BONDS
FOR CHINESE HOSPITAL ASSOCIATION**

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 to finance construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities by participating health institutions (including by reimbursing expenditures made or refinancing indebtedness incurred for such purpose) and to refund any outstanding bonds or any outstanding series or issue of bonds of the Authority;

WHEREAS, Chinese Hospital Association, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation") has applied to the Authority for the issuance of revenue bonds of the Authority on behalf of the Corporation in an aggregate principal amount not to exceed \$65,000,000 (the "Bonds") for the purposes of (1) financing the acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of health facilities to be owned and operated by the Corporation (including by reimbursing expenditures made or refinancing indebtedness incurred by the Corporation for such purpose) (as further described in Exhibit A attached, hereto, the "Project"), (2) funding a bond reserve account, (3) funding certain capitalized interest on the Bonds and (4) paying costs of issuance of the Bonds;

WHEREAS, the Corporation is seeking bond insurance from the Office of Statewide Health Planning and Development of the State of California (the "Office") to insure the Bonds;

WHEREAS, to the extent required by subdivision (b) of Section 15455 of the California Government Code, the Corporation has provided documentation to the Authority demonstrating 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 the 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 Insured Revenue Bonds (Chinese Hospital Association), Series 2012, in a total aggregate principal amount not to exceed \$65,000,000, 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, subject to receipt of a final insurance commitment from the Office. The proceeds of the Bonds shall be used for any or all of the purposes set forth in the second WHEREAS paragraph above.

Section 2. The Treasurer of the State of California (the "Treasurer") is hereby authorized to enter into agreements to sell the Bonds in one or more series, on one or more sale dates at any time prior to the first anniversary of the date of the adoption of this Resolution, at negotiated sale, in such aggregate amount and in such series, at such price and at such interest rate or rates as the Treasurer, with the advice and consent of the Corporation, may determine.

Section 3. The following documents:

- (i) the Loan Agreement relating to the Bonds (the "Loan Agreement"), between the Authority and the Corporation;
- (ii) the Indenture relating to the Bonds (the "Indenture"), between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee");
- (iii) the Contract of Insurance (the "Contract of Insurance"), among the Corporation, the Office and the Authority;
- (iv) the Regulatory Agreement relating to the Bonds (the "Regulatory Agreement"), among the Corporation, Chinese Community Health Plan, the Office and the Authority;
- (v) the Preliminary Official Statement relating to the Bonds (the "Preliminary Official Statement"); and
- (vi) the Bond Purchase Contract, including the exhibits thereto, relating to the Bonds (hereinafter collectively referred to as the "Purchase Contract"), among Merrill Lynch, Pierce, Fenner & Smith Incorporated, as underwriter (the "Underwriter"), the Treasurer and the Authority, and approved by the Corporation

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein as the officer(s) executing and/or delivering 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 Indenture, the Contract of Insurance, the Regulatory Agreement and the Purchase Contract and the delivery thereof in the case of the Preliminary Official Statement.

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 date, maturity dates (not exceeding 40 years from the date of issue), interest rates, interest payment dates, denominations, forms, registration privileges or requirements, place or places of payment, terms of redemption, provisions governing transfer, and other terms of the Bonds shall be as provided in the Indenture, as finally executed.

Section 6. The Underwriter is hereby authorized and directed to distribute the Preliminary Official Statement for the Bonds to persons who may be interested in the purchase of the Bonds offered in the issuance. The Underwriter is hereby directed to deliver the final Official Statement (the "Official Statement") to all actual purchasers of the Bonds.

Section 7. The Bonds, when executed pursuant to the Indenture, 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 the direction of the Underwriter thereof in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved.

Section 8. Each officer of the Authority is hereby authorized and directed 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 Indenture, the Loan Agreement, the Contract of Insurance, the Regulatory Agreement, the Official Statement and the Purchase Contract. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: (a) certifications; and (b) a tax certificate and agreement.

Section 9. The provisions of the Authority's Resolution No. 2011-15 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

Description of the Project

Chinese Hospital Association (the "Corporation") has requested the issuance of revenue bonds to finance a portion of the costs of the construction, renovation, expansion and equipping of a replacement hospital facility, which will include 54 acute care beds and is expected to include a 22 bed skilled nursing unit, and related health care facilities located in San Francisco, California at 835 Jackson Street and 845 Jackson Street, the site of the Corporation's existing acute care hospital, administration building and parking facility.

The proposed replacement hospital will be built on the site of the Corporation's 1925 building which currently functions as an administration building and will be comprised of seven stories, plus a basement level. The basement level is expected to house radiology, building support systems, and housekeeping. The street or ground level is expected to house urgent medical services and clinics. The first upper level is expected to house pharmacy, the cardio-pulmonary unit and meeting/conference rooms. The second upper level is expected to house the skilled nursing unit. The third and fourth upper levels are expected to house acute care patient rooms. The fifth upper level is expected to house surgery, including 3 operating rooms, post anesthesia care and central sterile supply. The sixth level will house intensive care and additional acute care patient rooms.

Upon completion of the replacement hospital facility, the existing acute care hospital facility built in 1979 will be renovated. The 1979 building is comprised of five stories, plus a basement level. It is expected that the basement level would continue to house dietary services, that the street level would house laboratory services, that the existing operating rooms on the fifth floor would be used for outpatient surgeries and that the other upper floors would be converted to outpatient clinics and hospital administration offices.