CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Marshall Medical Center ("Marshall") 1100 Marshall Way Placerville, California (El Dorado County)	**Amount Requested:** **Requested Loan Term:** **Authority Meeting Date:** **Resolution Number:**	$35,000,000 Up to 40 years February 26, 2015 401

Project Sites: See Exhibit 3
Facility Type: Acute Care Hospital and Skilled Nursing - Government Code 15432(d)(1)
Prior Borrower: Yes (Marshall was CHFFA's first tax-exempt bond issue; date of last issue, 2012.)

Background: Established in 1959, this California nonprofit public benefit corporation is licensed to operate 113-beds (99 acute and intensive care beds and 14 distinct part skilled nursing beds). Marshall provides a broad range of primary and secondary level acute medical and surgical services at its facility, as well as a full range of outpatient services, and 24-hour emergency care services. Other services include home health, a rural health clinic, pediatric services and several primary and specialty physician clinics. In FY 2013, Marshall treated approximately 24,901 patients in its emergency room and recorded more than 875 outpatient procedures in acute beds. (See Exhibits 2 and 4 for more detail).

Use of Proceeds: Bond proceeds will be used to refund all or portion of CHFFA 2004 Series A Hospital Revenue Bonds. Based on market conditions, Marshall expects this refunding to result in an estimated net present value savings of $2.2 million over the life of the bonds (Please see page two for more detail).

Type of Issue:	Negotiated public offering with fixed rate bonds (Expected minimum denominations of $5,000)
Credit Enhancement:	Cal-Mortgage Insurance (Pending approval)
Expected Credit Rating:	A- (S&P) based on Cal-Mortgage Insurance
Financing Team:	*Please see Exhibit 1 to identify possible conflicts of interest*

Financial Overview: Marshall's income statement appears to exhibit positive operating performance over the review period and appears to have a positive financial position with a proforma operating debt service coverage ratio of 3.50x.

Estimated Sources of Funds:			**Estimated Uses of Funds:**		
Bond proceeds	$	35,000,000	Refund CHFFA bonds	$	31,174,875
			Debt service reserve fund		2,397,330
			Cal-Mortgage Insurance		933,545
			Financing costs		494,250
Total Estimated Sources	$	35,000,000	**Total Estimated Uses**	$	35,000,000

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

Staff Recommendation: Staff recommends the Authority approve Resolution Number 401 in an amount not to exceed $35,000,000 subject to the conditions in the resolution, contingent upon Cal-Mortgage Insurance approval. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Fieldman, Rolapp & Associates, Inc., the Authority's financial advisor, concur with the Authority's staff recommendations.

I. PURPOSE OF FINANCING:

Marshall plans to refund its CHFFA's 2004 Series A Hospital Revenue Bonds to take advantage of the current market's low level of tax-exempt long-term interest rates to improve its financial position. Based on current market conditions, the refunding of the 2004 Series A Revenue Bonds may result in a net present value savings of approximately $2.2 million over the life of the bonds.

Refunding CHFFA's 2004 Series A Bonds**...** ***$31,174,875***

Marshall intends to use the bond proceeds to refund CHFFA's 2004 Series A Revenue Bonds in the aggregate principal amount of approximately $30 million. The CHFFA 2004 Series A Bonds were used to build a wing adjoining its existing facility wing, creating space to add approximately 25 more beds and to expand ancillary services. The CHFFA 2004 Series A Bonds were also used for renovations, which included expansion of clinical lab suites, pharmacy, and remodeling of the conference rooms, and electrical/mechanical systems upgrades.

The funds from the CHFFA Series 2004 Series A Bonds were used for facilities owned and operated by Marshall on the campuses at or near 1095 Marshall Way, Placerville, CA 95667, 3581 Palmer Drive, Cameron Park, CA 95682, 681 Main Street, Placerville, CA 95667, 1100 Marshall Way, Placerville, CA 95667 and 4641 Missouri Flat Road, Placerville, CA 95667.

Debt Service Reserve Fund		***2,397,330***
Cal-Mortgage Insurance		***933,545***
Financing Costs		***494,250***
Cost of Issuance	$277,750	
Underwriter's Discount	216,500	
Total Uses of Funds		**$35,000,000**

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

After reviewing Marshall's credit profile, including its current financial profile, prior bond transactions and considering what the market will support, Marshall, Fieldman, Rolapp & Associates, Inc. (the Authority's financial advisor),and the underwriter have concluded the covenants listed below balance the interests of Marshall, the Authority, and the investors and are consistent with covenants that have applied to Marshall's prior bond transactions and that the Marshall's current financial situation does not suggest additional covenants should be required.

Cal Mortgage Insurance. The primary security for this transaction is insurance from the Office of Statewide Health Planning and Development Cal Mortgage Insurance Program ("Insurance") covering payment of principal and interest on the 2015 Bonds. Separate insurance contracts have been provided by Cal Mortgage for all prior CHFFA bonds issued for the benefit of Marshall Medical Center ("Marshall"), including prior issues in 1986, 1988, 1992, 1993, 1998, 2004 and 2012. Following completion of this proposed 2015 transaction, the only CHFFA/Marshall bonds that will remain outstanding are the 2004B, 2012 and 2015 bonds. Those outstanding bonds will all be secured on a parity basis enjoying the benefits of the security and covenants on a pro rata basis (except that there will be two separate bond reserve accounts, one for both the 2012 and 2015 bonds, and another for the 2004B bonds (which were issued under a separate indenture from the indenture relating to the 2012 and 2015 bonds; the reserve account for the 2012 and 2015 bonds may not be used for the 2004B bonds, and the reserve account for the 2004B bonds may not be used for the 2012 and 2015 bonds).

Deed of Trust (Construction Trust Deed and Fixture Filing). As is required by the Insurance Law, Marshall has executed a Deed of Trust (Construction Trust Deed and Fixture Filing) covering all of its major revenue-producing properties, equipment and intangible assets which are pledged to the Trustee, as assignee of the Authority, and the Cal Mortgage. Cal Mortgage can release properties or assets from the Deed of Trust without consent from the Authority or Bondholders.

Bond Reserve Account. There is a bond reserve account covering the 2012 and 2015 bonds funded at Maximum Annual Bond Service for the combined issues. If the reserve is ever tapped for a bond payment, Marshall is required to deposit amounts to the reserve to maintain it at the required level within 12 months.

The following covenants are also applicable for this transaction (any covenants in the Regulatory Agreement may be amended or waived with consent of Cal Mortgage without consent from the Authority or the Bondholders):

Unconditional Promise to Pay. Marshall agrees to pay the Trustee all amounts required for principal, interest or redemption premium, if applicable, and other payments and expenses designated in the Loan Agreement. All Revenues (which will include payments under the Loan Agreement) and any other amounts held in one of the designated funds or accounts under the Bond Indenture are pledged to secure the full payment of the 2012 and 2015 bonds. [1986 Loan Ag. Sec. 4.6; 1986 Indenture. Sec. 5.01]

Pledge of Gross Revenues. Marshall pledges to deposit all revenues, income, receipts and money received into a Gross Revenue Fund over which the Trustee has a deposit account agreement for the benefit of bondholders and Cal Mortgage. [1986 Loan Ag. Sec. 4.4]

Negative Pledge Against Prior Liens. Marshall agrees not to create, assume or permit any lien or security interest upon the Facilities or the Gross Revenues other than Permitted Encumbrances. [1986 Loan Agreement Sec. 5.4; Regulatory Agreement Sec. VIII]

Debt Service Coverage Requirement. The Loan Agreement contains a debt service coverage requirement based on 1.20 times Aggregate Debt Service, and the Regulatory Agreement contains a debt service coverage requirement based on 1.25 times maximum aggregate annual debt service. [1986 Loan Ag. Sec. 5.3; Regulatory Agreement Sec. VII.A]

Additional Debt Limitation. Marshall agrees not to incur additional Indebtedness unless authorized by various financial performance or projection measures set out in the Loan Agreement and the Regulatory Agreement [1986 Loan Agreement Sec. 5.5; Regulatory Agreement Sec. IX].

Limitations on Mergers, Sales or Conveyances. Marshall agrees not to merge or consolidate with any other entity or sell or convey all or substantially all of its assets to any Person unless authorized by various limiting measures in the Loan Agreement and the Regulatory Agreement. [1986 Loan Ag. Sec. 5.1; Regulatory Agreement Sec. VI]

Disposition of Cash and Property Limitations. The Loan Agreement and the Regulatory Agreement does not permit Marshall to sell, lease or dispose of any property, plant or equipment or cash or cash equivalents unless authorized by various limiting measures. [1986 Loan Agreement Sec. 5.7; Regulatory Agreement Sec. X]

Limitations on Acquisition of Plant, Property and Equipment (PPE). The Loan Agreement and the Regulatory Agreement require Marshall to deliver certain certifications and obtain the consent of the Office before it acquires PP&E with certain defined exceptions [Regulatory Agreement Sec. XI;1986 Loan Agreement Sec. 5.8].

Comply with SEC Rule 15c2-12. Under the continuing disclosure agreement and in order to assist the underwriter in complying with SEC Rule 15c2-12, Marshall will contractually agree to disclose designated financial and operating information to the SEC web site (EMMA) during the life of the 2015 bonds on an annual/quarterly basis and to report designated "material events" such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc.

Staff and Fieldman, Rolapp & Associates, Inc. have reviewed the entirety of this financing package and find it to be acceptable.

III. FINANCIAL STATEMENTS AND ANALYSIS:

Marshall Medical Center and Subsidiary
Consolidated Statements of Operations
(Unrestricted)

	As of October 31,		
	2013	**2012**	**2011**
Operating revenues:			
Net patient service revenues*	$ 220,812,905	$ 223,923,453	$ 208,049,471
Other operating revenues	4,450,726	1,330,764	1,311,635
Total revenue	225,263,631	225,254,217	209,361,106
Operating expenses:			
Salaries and wages	74,215,972	75,885,215	70,711,997
Employee benefits	42,683,752	41,432,748	38,510,776
Professional fees	34,052,293	32,971,932	28,109,269
Supplies	24,580,399	24,141,602	23,047,376
Depreciation and amortization	9,992,083	7,145,459	5,778,604
Purchased services	10,131,723	10,202,348	9,829,976
Registry	1,304,337	1,981,372	906,688
Provision for bad debts	11,666,820	17,169,709	14,150,471
Interest	1,616,083	1,082,964	1,184,809
Other	9,482,832	9,015,496	7,486,776
Total operating expenses	219,726,294	221,028,845	199,716,742
Operating income	5,537,337	4,225,372	9,644,364
Non-operating income (expenses):			
Investment income	668,462	635,519	666,455
Other	(287,345)	(317,859)	(286,255)
Net non-operating income	381,117	317,660	380,200
Excess of revenue	5,918,454	4,543,032	10,024,564
Unrealized (losses) gains on investments	1,523,724	975,069	(8,100)
Pension related changes other than net periodic pension cost	30,490,157	(13,508,203)	(14,493,888)
Net assets released from restrictions from purchase property and equipment	355,993	183,280	480,979
(Decrease) increase in unrestricted net assets	**38,288,328**	**(7,806,822)**	**(3,996,445)**
Unrestricted net assets - beginning of year	56,324,753	64,131,575	68,128,020
Unrestricted net assets - end of year	$ 94,613,081	$ 56,324,753	$ 64,131,575

*Net Patient Service Revenues for FYE October 31, 2013

Payors Source	**Percent**
Medicare	48
Medi-Cal	14
Individual Patients	15
Private Insurance and Other Contractual Payors	23
Total	100

Marshall Medical Center and Subsidiary
Consolidated Balance Sheet

	As of October 31,		
	2013	**2012**	**2011**
Current assets:			
Cash and cash equivalents	$ 11,929,154	$ 13,524,310	$ 23,793,451
Assets limited as to use - held by trustee	3,025,792	1,439,949	3,105,232
Patient accounts receivable, net	37,083,061	34,601,086	31,868,284
Other receivables	1,889,899	617,896	409,411
Inventories	2,688,338	2,546,196	2,331,381
Prepaid expenses	1,711,968	1,662,351	1,256,515
Other current assets	250,000	250,000	400,000
Total current assets	58,578,212	54,641,788	63,164,274
Assets limited as to use:			
Under indenture agreement - held by trustee	7,779,914	6,401,648	8,951,133
Board designated	17,863,298	16,168,527	20,574,808
Beneficial interest held by foundation	190,991	245,563	190,621
Less: amount required to meet current obligations	(3,025,792)	(1,439,949)	(3,105,232)
Assets limited as to use - net	22,808,411	21,375,789	26,611,330
Property and equipment, net of depreciation	114,696,260	115,023,714	96,944,360
Other assets:			
Investment in medical offices - net of depreciation	1,402,687	1,506,275	1,610,077
Bond issuance costs - net	3,334,179	3,751,316	3,274,722
Long-term investments	94,798	93,435	87,312
Intangible assets - net	6,789,688	6,789,688	6,789,688
Other assets	604,912	600,000	600,000
Total other assets	12,226,264	12,740,714	12,361,799
Total assets	$ 208,309,147	$ 203,782,005	$ 199,081,763

(continued)

Marshall Medical Center and Subsidiary
Consolidated Balance Sheet

	As of October 31,		
	2013	**2012**	**2011**
Current liabilities:			
Current portion of long-term debt	$ 3,033,488	$ 1,773,898	$ 1,892,438
Bond interest payable	1,085,792	814,948	1,330,232
Accounts payable and accrued expenses	14,708,141	15,308,509	12,667,875
Accrued compensation and related costs	9,617,273	9,562,027	8,523,173
Estimated third-party payor settlements	3,163,902	6,320,486	10,592,711
Total current liabilities	31,608,596	33,779,868	35,006,429
Non-current liabilities:			
Long-term debt, net of current portion	69,715,295	70,760,480	70,590,000
Estimated malpractice liability reserve and other			-
Liability for pension benefits	12,181,184	42,671,341	29,163,138
Total liabilities	113,505,075	147,211,689	134,759,567
Net assets:			
Unrestricted	94,613,081	56,324,753	64,131,575
Temporarily restricted	190,991	245,563	190,621
Total net assets	94,804,072	56,570,316	64,322,196
Total Liabilities and Net Assets	**$208,309,147**	**$203,782,005**	**$199,081,763**

Financial Ratios:

	Proforma [a] FYE October 31, 2013			
Debt Service Coverage - Operating	3.50	5.06	4.19	4.36
Debt Service Coverage - Unrestricted Net Assets	3.89	5.62	4.62	4.46
Debt to Unrestricted Net Assets		0.77	1.29	1.13
Margin (%)		2.46	1.88	4.61
Current Ratio		1.85	1.62	1.80

[a] Recalculates FY 2013 audited results to include the impact of this proposed financing.

Financial Discussion - Statement of Activities (Income Statement)

Marshall's income statement appears to exhibit positive operating results during the review period.

Marshall's operating margin exhibits positive results from 4.61% in FY 2011 to 2.46% in FY 2013, indicating an increase in unrestricted net assets from approximately negative $3.9 million in FY 2011 to $38.2 million in FY 2013. Marshall's management attributes the decrease in unrestricted net assets in FY 2011 and FY 2012 to the ongoing construction of the new South Wing. The South Wing opened in January 2013 causing an increase in unrestricted net assets for FY 2013. Net patient revenues increased from approximately $209 million in FY 2011 to $225 million in FY 2013, while expenses increased at a steady pace. Marshall's management states the increase in expenses was due to (1) professional fees increased reflecting the new professional service contracts for the three new physician clinics; (2) salaries and benefits increased due to additional staff for the new clinics and additional retirement plan contributions; and (3) depreciation and interest expense related to the new South Wing opening in January 2013. Marshall's management states that revenues and expenses should stabilize now that the new South Wing addition is operational.

Particular Facts to Note:

- Marshall's investment income remained relatively stable, but Marshall did have an increase of unrealized gains on investments from a loss of approximately $8,100 in FY 2011 to a gain of approximately $1.5 million in FY 2013. Marshall's management attributes the increase to improved investment market performance.

- The pension liability increased from approximately negative $14.5 million impact in FY 2011 to a positive $30.5 million impact in FY 2013 primarily due to an improvement in the long term discount rate used in the future obligation calculation as well as increased investment earnings in the retirement plan portfolio, according to Marshall's management.

Financial Discussion - Statement of Financial Position (Balance Sheet)

Marshall appears to have a positive financial position with a proforma operating debt service coverage ratio of 3.50x during the review period.

Marshall's balance sheet appears to have exhibited positive financial strength, with total unrestricted net assets increasing from approximately $64.1 million in FY 2011 to $94.6 million in FY 2013, an increase of nearly 47%. Marshall attributes the increase primarily due to the decrease to the future pension obligation and the investment market performance decreased the future liability in FY 2013. Along with these improvements, operating revenues improved and Marshall began to receive funding for meeting meaningful use criteria for an electronic medical records system.

Particular Facts to Note:

- Marshall posted a decrease in cash and cash equivalents from approximately $23.7 million in FY 2011 to $11.9 million in FY 2013. Marshall's management attributes the decrease in cash and cash equivalents with the construction of the 88,000 square foot South Wing addition to the hospital. The South Wing opened in January 2013.

- Property and equipment increased from $96.9 million in FY 2011 to $114.6 million in FY 2013, primarily due to the major South Wing expansion project. Smaller projects included physician clinic expansions, electronic medical record implementation and routine building and equipment replacements, according to Marshall's management.

- The estimated third-party payor settlements decreased from approximately $10.5 million in FY 2011 to $3.2 million in FY 2013. According to Marshall's management, the decline was due to Medicare and Medi-Cal cost report audits coming to closure for prior years as well as the Medi-Cal Hospital Fee Program[1] receiving Centers for Medicare & Medicaid Services approval during that period.

[1] **Medi-Cal Hospital Fee Program:** the State of California enacted legislation (enacted AB1383 in 2009 and amended by AB 1653 in 2010) that provides for supplemental Medi-Cal payments to certain hospitals funded by a quality assurance fee paid by participating hospitals as well as matching federal funds.

IV. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Savings Pass Through):** Marshall properly completed and submitted the "Pass-Through Savings Certification" in addition to a narrative explaining how it intends to pass along savings.
    - o The Marshall Foundation gave back to the community $206,566 to ensure a healthier community while also providing equipment and services at Marshall Medical Center that would otherwise have been impossible.
    - o Community Health Grants totaling $14,344 provided for needs in the area of obesity education. These funds are provided through The Endowment for Health.
    - o The year ended with Cancer Center campaign pledges equaling $904,508 as Marshall seeks to consolidate Cancer Services into one location.

Below is a link to the Marshall's Community Benefit page:

http://www.marshallmedical.org/Default.aspx?id=462&sid=1&CWFriendlyUrl=true

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

- **Compliance with Seismic Regulations:** Marshall 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):** CEQA documentation is not required for this refunding.

- **Religious Affiliation Due Diligence.** Marshall properly completed and submitted related documentation to meet the religious due diligence requirement.

- **Legal Review.** Marshall properly completed and submitted related documentation addressing the Authority's Legal Questionnaire.

- **Iran Contracting Act Certificate:** Marshall properly submitted the certificate to the Authority.

EXHIBIT 1

FINANCING TEAM

Marshall Medical Center

Borrower:	Marshall Medical Center
Issuer's Agent for Sale:	California State Treasurer
Issuer's Counsel:	Office of the Attorney General
Issuer's Financial Advisor:	Fieldman, Rolapp & Associates, Inc.
Issuer's Financial Analyst:	Macias Gini & O'Connell, LLP
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Borrower's Counsel:	Hooper, Lundy & Bookman, Inc.
Underwriter:	Bank of America Merrill Lynch
Underwriter's Counsel:	Sidley Austin LLP
Auditor:	Moss-Adams LLP
Bond Insurer:	Office of Statewide Health Planning and Development (Cal-Mortgage)
Trustee:	MUFG Union Bank
Rating Agencies:	Standard & Poor's Ratings; Fitch Ratings

EXHIBIT 2

UTILIZATION STATISTICS

The following table shows utilization statistics of Marshall for the fiscal years ended October 31, 2011, 2012 and 2013:

	As of October 31,		
	2011	**2012**	**2013**
Acute Beds			
Discharges	5,186	5,048	5,176
Average Length of Stay (Days)	4.22	4.34	3.94
Patient Days*	21,898	21,877	20,402
Outpatient Procedures in Acute Beds	965	1,069	875
Average Daily Census	59.99	59.96	55.90
Licensed Beds	91	91	99
Occupancy Percent	66%	69%	59%
Emergency Room Visits	27,328	23,708	24,901
Skilled Nursing Beds			
Discharges	426	361	366
Patient Days	3,973	3,767	3,784
Licensed Beds	14	14	14
Occupancy	78%	74%	74%

* Excluding well newborns

EXHIBIT 3

PROJECT SITES

- 1095 Marshall Way, Placerville, CA 95667
- 3581 Palmer Drive, Cameron Park, CA 95682
- 681 Main Street, Placerville, CA 95667
- 1100 Marshall Way, Placerville, CA 95667
- 4641 Missouri Flat Road, Placerville, CA 95667

EXHIBIT 4

OUTSTANDING DEBT

Date Issued		Original Amount		Amount Outstanding [a] As of October 31, 2013		Estimated Amount Outstanding after Proposed Financing
-EXISTING LONG-TERM DEBT:						
CHFFA Revenue Bonds, 2004 Series A	$	30,000,000	$	29,425,427	$	-
CHFFA Revenue Bonds, 2004 Series B		20,000,000		20,058,233		20,058,233
CHFFA Revenue Bonds, 2012 Series A		22,000,000		19,006,684		19,006,684
Note payable to United States Department of Agriculture		2,519,339		2,519,339		2,519,339
- PROPOSED NEW DEBT:						
CHFFA 2015 Series A						**35,000,000**
- TOTAL DEBT				**$**	**71,009,683**	**$**	**76,584,256**

(a) Includes current portion of long-term debt.

EXHIBIT 5

BACKGROUND, GOVERNANCE AND LICENSURE

Background

Marshall Medical Center ("Marshall"), incorporated in 1959, is a California nonprofit public benefit corporation that is licensed to operate 113 beds (99 acute and intensive care beds and 14 distinct part skilled nursing beds). Marshall is located in Placerville, California, approximately 45 miles east of Sacramento, California. Marshall provides health care services primarily to the residents of the Western slope of El Dorado County where Placerville is located. Marshall began operations at its present site as a 49-bed acute care facility in 1959 and has since expanded and modernized its facilities to meet the increasing patient care needs of its service area population. Expansion and renovation programs, completed in the 1970s,1980s, and recently in 2013 increased the licensed bed capacity to its current complement of 113 beds and expanded virtually all ancillary and supported services.

Marshall's main hospital facility is a two-story structure that is located on a six-acre campus in Placerville. The current licensed capacity of 113 beds includes seventy-four (74) medical/surgical beds, eight (8) intensive care beds, nine (17) perinatal beds (including maternity and newborn services) and fourteen (14) distinct part skilled nursing beds. Marshall provides a broad range of primary and secondary level acute medical and surgical services at its facility, as well as a full range of outpatient service and 24-hour emergency care services. Other services include home health, pediatric services and several primary and specialty care clinics. The main hospital campus contains a secondary two-story building, completed in 1997, which contains certain clinical and administrative services. Marshall leases additional space in the surrounding area for outpatient radiology, laboratory, and other ancillary services.

Corporate Governance

Marshall is governed by a Board of Directors consisting of 13 members. The members of the Board are elected for three-year terms, and no member may serve more than three consecutive terms.

Licensure, Certification and Accreditation

Marshall is licensed to operate as an acute care hospital and skilled nursing facility by the California Department of Health Services and is fully accredited by The Joint Commission ("JC"), a nonprofit accrediting organization. The most recent JC survey was completed in April 2014, and Marshall received a full three-year accreditation through April 2017.

RESOLUTION NO. 401

RESOLUTION OF THE
CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
RELATING TO THE ISSUANCE OF
INSURED REFUNDING REVENUE BONDS
FOR MARSHALL MEDICAL CENTER

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 and refinance 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);

WHEREAS, the Authority previously issued the California Health Facilities Financing Authority Insured Hospital Revenue Bonds (Marshall Medical Center) 2004 Series A (the "Prior Bonds") in the aggregate principal amount of $30,000,000 and loaned the proceeds of the Prior Bonds to Marshall Medical Center, a California nonprofit public benefit corporation (the "Corporation");

WHEREAS, 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 $35,000,000 (the "Bonds") for the purposes of (i) refunding all or any portion of the outstanding Prior Bonds (the proceeds of which were used to finance the Prior Project, as further described in Exhibit A attached hereto), (ii) funding an additional deposit to the bond reserve account, if necessary, and (iii) paying costs incurred in connection with the issuance of the Bonds, including an insurance premium and related fees to the Office of Statewide Health Planning and Development of the State of California (the "Office"); 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 Refunding Revenue Bonds (Marshall Medical Center), Series 2015, in a total aggregate principal amount not to exceed $35,000,000, 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 insurance by the Office. The proceeds of the Bonds shall be used for any or all of the purposes set forth in the third 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 Seventh Supplemental Loan Agreement relating to the Bonds (the "Seventh Supplemental Loan Agreement"), between the Authority and the Corporation;

(ii) the Eighth Supplemental Indenture relating to the Bonds (the "Eighth Supplemental Indenture"), between the Authority and MUFG Union Bank, N.A., as trustee (the "Trustee");

(iii) the Amended and Restated Regulatory Agreement relating to the Bonds (the "Regulatory Agreement"), among the Corporation, the Office and the Authority;

(iv) the Contract of Insurance (the "Contract of Insurance"), among the Corporation, 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, with the advice of the Attorney General of the State of California or such other counsel as the Authority shall select ("Authority Counsel"), may require or approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Seventh Supplemental Loan Agreement, the Eighth Supplemental Indenture, the Regulatory Agreement, the Contract of Insurance and the Purchase Contract and by 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 Seventh Supplemental 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 Eighth Supplemental 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 Eighth Supplemental 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. 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 Eighth Supplemental Indenture, the Seventh Supplemental Loan Agreement, the Purchase Contract, the Regulatory Agreement, the Contract of Insurance and the Official Statement. 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. 2014-05 apply to the documents and actions approved in this Resolution.

Section 10. Notwithstanding anything to the contrary in this Resolution, no documents referenced in this Resolution may be executed and delivered until the Office has indicated its willingness to insure the Bonds.

Section 11. 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 12. This Resolution shall take effect from and after the date of adoption.

Date of Adoption: ____________________________

EXHIBIT A

Prior Project is the:

Financing and refinancing of the acquisition, construction, rehabilitation, remodeling and other capital projects (including funded interest during construction) with respect to the health facilities owned and operated by Marshall Medical Center located generally on the campuses at or near 1095 Marshall Way, Placerville, CA 95667, 3581 Palmer Drive, Cameron Park, CA 95682, 681 Main Street, Placerville, CA 95667, 1100 Marshall Way, Placerville, CA 95667 and 4641 Missouri Flat Road, Placerville, CA 95667.