

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
BOND FINANCING PROGRAM
EXECUTIVE SUMMARY**

<p>Applicant: Adventist Health System/West (Adventist) One Adventist Health Way Roseville, CA 95661 Placer County</p>	<p>Amount Requested: \$75,000,000 Requested Loan Term: Up to 40 years Authority Meeting Date: August 31, 2023 Resolution Number: 452</p>																
<p>Project Site: <i>See Exhibit 1</i></p> <p>Facility Type: Acute Care Hospital/sub-acute and outpatient care</p> <p>Eligibility: Government Code Section 15432(d)(1)</p> <p>Prior Borrower: Yes (date of last Authority issue 2022)</p> <p>Obligated Group: Identified in the Background and Licensure section</p>																	
<p>Background: Adventist was established in 1980 by the merger of two smaller health systems known as Adventist Health Services, Inc., and Northwest Medical Foundation. Based in Roseville, Adventist is a 501(c)(3) nonprofit organization whose mission is to improve the quality of health care in the communities it serves by emphasizing wellness and disease prevention. Adventist includes 25 hospitals, approximately 370 clinics, 15 home care agencies, eight hospice agencies, one fully owned continuing care retirement community, and three joint venture retirement centers. Adventist serves communities in California, Hawaii, Oregon, and Washington.</p>																	
<p>Use of Proceeds: Bond proceeds will be used to reimburse Adventist for the costs of acquiring Bakersfield Heart Hospital (BHH), fund capital improvements, and information technology (IT) implementation costs to integrate BHH into Adventist’s network. Bond proceeds also will be used to finance certain projects at the Adventist Health Bakersfield location.</p>																	
<p>Type of Issue: Direct Bank Placement, tax-exempt fixed rates</p> <p>Expected Credit Rating: Unrated – Please see Guidelines Discussion on page 3</p> <p>Financing Team: <i>See Exhibit 2 to identify possible Conflicts of Interest</i></p>																	
<p>Financial Overview: Adventist’s income statement appears to show increasing revenue during the review period from fiscal year (FY) 2020 to FY 2022. Adventist’s balance sheet appears to have a solid financial position with a pro-forma FY 2022 net debt service coverage ratio of 1.2x.</p>																	
<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2"><u>Estimated Sources of Funds:</u></td> <td colspan="2"><u>Estimated Uses of Funds:</u></td> </tr> <tr> <td>Bond proceeds</td> <td style="text-align: right;">\$75,000,000</td> <td>Project Cost</td> <td style="text-align: right;">\$75,000,000</td> </tr> <tr> <td>Borrower funds</td> <td style="text-align: right;"><u>350,000</u></td> <td>Financing costs</td> <td style="text-align: right;"><u>350,000</u></td> </tr> <tr> <td>Total Estimated Sources</td> <td style="text-align: right;"><u>\$75,350,000</u></td> <td>Total Estimated Uses</td> <td style="text-align: right;"><u>\$75,350,000</u></td> </tr> </table>		<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>		Bond proceeds	\$75,000,000	Project Cost	\$75,000,000	Borrower funds	<u>350,000</u>	Financing costs	<u>350,000</u>	Total Estimated Sources	<u>\$75,350,000</u>	Total Estimated Uses	<u>\$75,350,000</u>
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Total Estimated Sources	<u>\$75,350,000</u>	Total Estimated Uses	<u>\$75,350,000</u>														
<p>Due Diligence: Staff has confirmed the following documentation satisfies the California Health Facilities Financing Authority’s (Authority) requirements: Eligibility, Legal Review, the California Environmental Quality Act, and the certifications for Pass-Through Savings, Iran Contracting Act, and Community Service Obligation.</p>																	
<p>Staff Recommendation: Staff recommends the Authority approve Resolution No. 452 in an amount not to exceed \$75,000,000 for Adventist Health System/West, subject to the conditions in the resolution. TAP International, Inc., the Authority’s financial analyst, and KNN Public Finance, LLC, the Authority’s municipal advisor, concur with the Authority’s staff recommendation.</p>																	

Disclaimer: Any information related to the borrower, including any data or analysis related to the borrower’s financial condition or ability to repay the financing, described in this staff report is based on information provided by the borrower and was prepared solely for members of the Authority’s Board and to satisfy certain provisions of the California Health Facilities Financing Authority Act (Gov. Code, §15430 et seq.). Prospective investors should not rely on information in this staff report and must perform their own due diligence to obtain information essential to making an informed investment decision.

STAFF SUMMARY, ANALYSIS, AND RECOMMENDATION

I. PURPOSE OF FINANCING

In June 2023, Adventist purchased financially challenged BHH, which experienced large financial losses during the COVID-19 pandemic. With the acquisition, Adventist now operates two hospitals in Bakersfield and four total in Kern County. Adventist is requesting the Authority to issue tax-exempt bonds in an amount not to exceed \$75 million to reimburse itself for costs associated with the acquisition of BHH as well as for IT implementation costs needed to integrate BHH into Adventist’s health care system. Bond proceeds also will be used to finance the costs of construction, expansion, remodeling, renovation, furnishing, and/or equipping of the existing Adventist Health Bakersfield hospital. The new bonds will be sold to RBC Capital Markets LLC, as the underwriter, and then privately placed with its affiliate Royal Bank of Canada. Adventist anticipates an interest rate ranging between 5.75% – 6.25%.

Project Costs \$75,000,000

Adventist Health Corporate

Adventist will use bond proceeds to integrate IT network at BHH into the Adventist IT network. The servers will be located at Adventist Health Corporate location in Roseville.

Bakersfield Heart Hospital

Adventist will use bond proceeds to reimburse itself for the purchase of BHH in an amount of approximately \$55 million. BHH is a 47-bed hospital providing 24-hour emergency care and services such as general surgery, spinal surgery, heart and vascular care, interventional pulmonology, orthopedics, and a women’s heart center.

Adventist Health Bakersfield

Projects associated with the Adventist Health Bakersfield location include the expansion of the pharmacy, the replacement of two computerized tomography scanners, completion of a fire wall, and the replacement of a nurse call system.

Financing Costs¹ 350,000

Total Estimated Uses of Funds \$75,350,000

¹ Financing costs will be paid with borrower funds at closing.

II. GUIDELINES DISCUSSION:

The CHFFA Series 2023A bonds (the 2023A Bonds) will be unrated and initially purchased by RBC Capital Markets, LLC (the Underwriter) as underwriter and privately placed with Royal Bank of Canada (the Purchaser), an affiliate of the Underwriter. The following are the Authority's guidelines for unrated debt:

- Must be privately placed with and transferred only to a "Qualified Institutional Buyer" ("QIB") 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;
- Bond transfer restrictions must be noted conspicuously on the bond itself*; and
- Bonds must be physically delivered*

All of the foregoing requirements are designed to maximize the likelihood that the unrated 2023A Bonds will be placed with more sophisticated investors given the higher risk typically perceived to be associated with unrated debt. The 2023A Bonds are not rated at this time because the Purchaser does not require the 2023A Bonds to be rated. The Purchaser has indicated it is a QIB under SEC Rule 144A and will make an independent credit determination to purchase the 2023A Bonds.

* Adventist has requested the following exceptions to the Authority's Bond Issuance Guidelines for Unrated Debt for this transaction:

Adventist and the Purchaser request delivery of the 2023A Bonds electronically through the Depository Trust Company's book-entry system. In addition to permitting transfers of the 2023A Bonds to QIBs, Adventist and the Purchaser also request that the 2023A Bonds may also be transferred to (1) "accredited investors" as defined in Rule 501 of Regulation D of the Securities Act of 1933, as amended (Accredited Investors) and (2) a trust or other custodial arrangement established by the purchaser or one of its affiliates, the owners of any beneficial interest in which are limited to QIBs or Accredited Investors. The Authority has made similar exceptions in prior transactions. KNN Public Finance LLC (KNN), the Authority's municipal advisor, considers that the minimum denomination of \$250,000, along with the requirements in the Bond Indenture regarding transferability to the purchasers described in the preceding sentence, and the representations and warranties provided by the Purchaser with regard to transferability in the form of an Investor Letter, provide adequate surety that only QIBs, Accredited Investors or a trust or other custodial arrangement established by the purchaser or one of its affiliates, the owners of any beneficial interest in which are limited to QIBs or Accredited Investors, would hold the 2023A Bonds – both at purchase and in the event the 2023A Bonds are transferred.

III. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES

This executive summary and recommendations include minimum requirements. Additional or more stringent covenants or disclosures may be added following consultation with Authority staff but without further notification to the Authority's Board. These covenants and disclosures cannot be diluted or removed without subsequent review. If there have been modifications to the proposed covenants and disclosures following the preparation of this executive summary, staff will report it at the Board meeting.

After reviewing the Obligated Group's (defined below) credit profile, including its current financial profile, prior bond transactions, and considering what the market will support, Adventist; KNN, and the Underwriter have all concluded the covenants listed below should be applicable to this transaction, are consistent with covenants that have applied to the Obligated Group's prior bond transactions, and the Obligated Group's current financial situation does not suggest additional covenants should be required.

Obligated Group: Adventist acts as the representative of an Obligated Group that, upon issuance of the 2023 Bonds, will consist of Adventist and 17 affiliate members (Members), each of which operates hospitals and/or health facilities. All Members are jointly and severally liable on notes issued under the Master Indenture of Trust (Master Indenture) with respect to repayments of loan amounts relating to the Authority's bonds and other parity debt. Adventist is the borrower under the loan agreement and is bound by all covenants below. There is also a transaction test to be satisfied in connection with Members being added to or withdrawing from the Obligated Group.

The following covenants are applicable for this transaction:

Unconditional Promise to Pay. *Adventist agrees to pay the Bond Trustee all amounts required for principal, interest, redemption premium, if any, and other payments and expenses designated in the Loan Agreement. The Obligated Group guarantees all those payments under a Master Indenture Note. All Revenues² received by or on behalf of the Authority and any other amounts held in designated funds or accounts under any Bond Indenture are pledged to secure the full payment of the Bonds issued under the Bond Indenture.*

Pledge of Gross Revenues. *Each Member of the Obligated Group pledges to deposit all Gross Revenues (as defined in Master Indenture) received into a Gross Revenue Fund over which the Master Trustee has a restricted account agreement for the benefit of each bond trustee and parity lender.*

Negative Pledge Against Prior Liens. *Each Obligated Group Member agrees not to create, assume, or permit any Lien upon the Operating Assets and Current Assets other than Permitted Liens.*

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

² Capitalized terms are defined in the Indenture.

No Debt Service Reserve. *The Bonds shall not be secured by a debt service reserve fund.*

Debt Service Coverage Requirement. *The Master Indenture contains a debt service coverage requirement based on 1.10 times Maximum Annual Debt Service. A debt service coverage requirement is a ratio measuring ability to make interest and principal payments as they become due by assessing the amount of revenue available to meet long-term debt service payments. There is an Event of Default if debt service coverage ratio is below 1.0 times for two consecutive years.*

Additional Debt Limitation. *Each Obligated Group Member agrees not to incur additional Indebtedness unless authorized by various financial performance or projection measures set out in the Master Indenture.*

Limitations on Mergers, Sales or Conveyances. *Each Obligated Group Member agrees not to merge or consolidate with any other entity or sell or convey all or substantially all of its assets to any Person outside of the Obligated Group unless authorized by various limiting measures set out in the Master Indenture.*

Limitations on Disposition of Operating Assets. *Each Obligated Group Member agrees not to sell, lease, or dispose of any operating assets unless authorized by various limiting measures set out in the Master Indenture.*

Staff has completed its due diligence, and KNN has reviewed the Bond Indenture, Master Indenture, Bond Purchase Agreement, and Investor Letter associated with the proposed financing and found these documents and proposed guidelines to be acceptable.

IV. FINANCIAL STATEMENTS AND ANALYSIS

Adventist Health System/West
Consolidated Statement of Operations and Changes in Net Assets
Statement of Activities
(In millions of dollars)

	Year Ended December 31,		
	2022	2021	2020
Revenues and Support			
Patient service revenue	\$ 4,688	\$ 4,660	\$ 4,097
Premium revenue	216	189	185
Other revenue	468	348	477
Net assets released from restrictions for operations	33	18	15
Total revenues and support	<u>5,405</u>	<u>5,215</u>	<u>4,774</u>
Expenses			
Employee compensation	2,565	2,308	2,246
Professional fees	802	782	587
Supplies	786	785	641
Purchased services and other	1,235	1,231	1,105
Interest	68	65	68
Depreciation and amortization	190	193	201
Total expenses	<u>5,646</u>	<u>5,364</u>	<u>4,848</u>
Loss from operations	(241)	(149)	(74)
Nonoperating income			
Investment income	(319)	163	178
Loss on acquisition and divestitures	-	-	(1)
Other nonoperating (loss) gain	3	(5)	6
Total nonoperating income	<u>(316)</u>	<u>158</u>	<u>183</u>
Excess of revenues over expenses	(557)	9	109
(Excess) deficit of revenues over expenses from noncontrolling interests	-	(1)	2
Excess of revenues over expenses from controlling interests	(557)	8	111
Net assets without donor restrictions			
Controlling			
Excess of revenues over expenses from controlling interests	(557)	8	111
Net change in unrealized gains and losses on other-than-trading securities	(11)	(10)	7
Donated property and equipment	-	-	1
Net assets released from restrictions for capital additions	9	5	7
Other	-	1	-
Increase in net assets without donor restrictions - controlling	<u>(559)</u>	<u>4</u>	<u>126</u>
Noncontrolling			
Excess (deficit) of revenues over expenses from noncontrolling interests	-	1	(2)
Increase (decrease) in net assets without donor restrictions - noncontrolling	-	1	(2)
Net assets with donor restrictions			
Restricted gifts and grants	53	32	24
Net assets released from restrictions	(42)	(23)	(22)
Other donor-restricted activity	-	-	1
Increase in net assets with donor restrictions	<u>11</u>	<u>9</u>	<u>3</u>
Increase in net assets	(548)	14	127
Net assets, beginning of year	<u>3,129</u>	<u>3,115</u>	<u>2,988</u>
Net assets, end of year	<u>\$ 2,581</u>	<u>\$ 3,129</u>	<u>\$ 3,115</u>

Adventist Health System/West
Statement of Financial Position
(In millions of dollars)

	As of December 31,		
	2022	2021	2020
Assets			
Cash and cash equivalents	\$ 379	\$ 304	\$ 261
Short-term investments	51	157	176
Patient accounts receivable	693	689	612
Receivables from third-party payors	486	379	501
Other current assets	261	227	243
Total current assets	<u>1,870</u>	<u>1,756</u>	<u>1,793</u>
Noncurrent investments	1,924	2,291	2,236
Other assets	445	432	413
Property and equipment, net	<u>2,123</u>	<u>2,185</u>	<u>2,302</u>
Total assets	<u>\$ 6,362</u>	<u>\$ 6,664</u>	<u>\$ 6,744</u>
Liabilities and Net Assets			
Accounts payable	\$ 441	\$ 370	\$ 265
Accrued compensation and related payables	327	325	306
Liabilities to third-party payors	97	209	232
Other current liabilities	186	242	140
Short-term financing	-	30	60
Current maturities of long-term debt	38	36	20
Total current liabilities	<u>1,089</u>	<u>1,212</u>	<u>1,023</u>
Long-term debt, net of current maturities	2,362	2,000	2,036
Other noncurrent liabilities	<u>330</u>	<u>323</u>	<u>570</u>
Total liabilities	<u>3,781</u>	<u>3,535</u>	<u>3,629</u>
Net assets without donor restrictions			
Controlling	2,485	3,044	3,040
Noncontrolling	15	15	14
Net assets with donor restrictions	<u>81</u>	<u>70</u>	<u>61</u>
Total net assets	<u>2,581</u>	<u>3,129</u>	<u>3,115</u>
Total Liabilities and net assets	<u>\$ 6,362</u>	<u>\$ 6,664</u>	<u>\$ 6,744</u>
	Proforma^(a)		
	FYE 12/31/2022	2022	2021
Debt Service Coverage - Operating (x)	0.2	0.2	1.3
Debt Service Coverage - Net (x) ^(b)	1.2	1.3	2.2
Debt to Unrestricted Net Assets (x)	1.0	1.0	0.7
Margin (%)		(4.5)	(2.9)
Current Ratio (x)		1.7	1.4

^(a) Recalculates FY 2022 audited results to include the impact of this proposed financing.

^(b) Calculation includes adjustment for unrealized gain or loss amount as permitted in the Master Indenture.

The audited, consolidated financial statements of Adventist Health System/West were analyzed in this section. The 17 members of the Obligated Group are jointly and severally obligated for the payments of Adventist's debts. The Obligated Group comprises approximately 79% of the total revenues and approximately 88% of the total unrestricted net assets of the consolidated financials.

Financial Discussion

Adventist's income statement appears to show increasing revenue during the review period from FY 2020 to FY 2022.

Adventist's total revenues and support increased by 13.2% from approximately \$4.8 billion in FY 2020 to approximately \$5.4 billion in FY 2022, driven primarily by patient service revenue. Patient service revenue increased from approximately \$4.1 billion in FY 2020 to \$4.7 billion for FY 2022. According to Adventist's management, the increase in patient service revenue is primarily due to the result of stronger outpatient volume compared to previous years. Adventist's observation stays, emergency department visits, outpatient procedures, and outpatient surgeries all increased.

As operating expenses exceeded revenues during each year of the review period, Adventist's operating margins were negative each year; from -1.6%, -2.9%, and -4.5% for FY 2020, FY 2021, and FY 2022, respectively. Total operating expenses increased by 16.5% from approximately \$4.8 billion in FY 2020 to approximately \$5.6 billion in FY 2022. Adventist's management explains the increase in total operating expenses was due to increases in employee compensation and contract labor resulting from the COVID-19 pandemic. Adventist's management anticipates improving margins going forward to address financial performance with a focus on several strategic areas, including growth, revenue optimization, labor and benefits, length of stay, administrative cost structure, purchased services, supplies, and professional fees.

Adventist experienced impacts to both revenue and expenses due to the COVID-19 pandemic. Clinic visits and elective surgical volumes dropped as patients were directed or chose to stay home to avoid unnecessary exposure and labor costs increased as a result of shortages in nurses and support teams. To offset the financial impact of the COVID-19 pandemic, Adventist received funding from the Coronavirus Aid, Relief, and Economic Security Act and the American Rescue Plan. Adventist has received nearly \$473 million of provider relief funds from various provisions in these acts, of which \$71 million and \$105 million have been recognized in FY 2022 and FY 2021, respectively.

Adventist's balance sheet appears to have a solid financial position with a pro-forma FY 2022 net debt service coverage ratio of 1.2x.

Throughout the review period, Adventist maintained a solid net debt service coverage ratio of 1.9x in FY 2020, 2.2x in FY 2021, and 1.3x in FY 2022. With the proposed new tax-exempt bond financing, the pro-forma FY 2022 net debt service coverage ratio continues to be solid at 1.2x.

Cash and cash equivalents increased from \$261 million in FY 2020 to about \$379 million in FY 2022 while short-term investments decreased from \$176 million to \$51 million over the same time period. According to Adventist, the increase in cash and cash equivalents is due to uninvested taxable bond proceeds received in late December 2022. The decrease in short-term investments is the result of repayment of funds received through Medicare for the COVID-19 Accelerated and Advance Payments Program at the beginning of the COVID-19 pandemic.

Over the review period, Adventist's balance sheet decreased with total assets decreasing from approximately \$6.7 billion in FY 2020 to just about \$6.4 billion in FY 2022, a decrease of approximately 5.7%. Adventist's management attributes the decrease in total assets to a temporary drawdown in financial markets which has significantly recovered in 2023.

V. DUE DILIGENCE

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

- **Government Code section 15438.5(a) (Pass-Through Savings):** Adventist properly completed and submitted the Pass-Through Savings Certification.
- **Government Code section 15459.1 (Community Service Obligation):** Adventist properly completed and submitted the Community Service Obligation certification and indicated that Medi-Cal and Medicare patients are accepted. Below is a link to Adventist's most recent Annual Report regarding community service:

<https://www.adventisthealth.org/pages/about-us/community-health-needs-assessments.aspx>
- **Compliance with Government Code section 15455(b) (California Environmental Quality Act (Pub. Resources Code, § 21000 et seq.)):** Adventist properly submitted relevant documentation addressing the California Environmental Quality Act.
- **Legal Review:** Adventist properly completed and submitted relevant documentation for the Authority's Legal Status Questionnaire.
- **Iran Contracting Act Certificate:** The Iran Contracting Act Certificate (Pub. Contract Code, §2200 et seq.) is not applicable to this particular financing as it is a direct placement purchase.

VI. OUTSTANDING DEBT

As of December 31, 2022, the Obligated Group's outstanding long-term debt totaled approximately \$2.4 billion, of which approximately \$665 million (27.7%) was comprised of debt issued through the Authority.

Following this proposed financing of up to \$75 million in tax-exempt bonds issued through the Authority, the Obligated Group's total outstanding debt will increase to approximately \$2.5 billion, with approximately \$740 million (29.6%) issued through the Authority.

VII. UTILIZATION STATISTICS

	Adventist Health		
	Fiscal Year Ending December 31,		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Discharges	124,498	127,678	122,794
Patient Days	657,112	688,119	588,519
Observation stays	21,576	19,480	18,618
Outpatient procedures	4,154,780	3,977,724	3,554,932
Emergency department visits	775,083	682,364	638,246
Inpatient surgeries	21,577	22,541	21,953
Outpatient surgeries	55,122	51,327	44,384
Capitated lives	259,635	224,912	217,768
Average length of stay (in days)	5.3	5.4	4.8

VIII. BACKGROUND AND LICENSURE

Background

Adventist has a history with a commitment to delivering quality health care, stemming back to 1866 with dedicated health care providers who promoted proper nutrition, exercise, and proper sanitation. Adventist, headquartered in Roseville, is a nonprofit corporation created in 1980 when two smaller health systems, Adventist Health Services, Inc., and Northwest Medical Foundation, merged with the purpose to coordinate the management of health care facilities in the Western United States. Adventist currently serves communities in California, Hawaii, Oregon, and Washington with facilities ranging in size from 25 to 515 licensed acute care beds plus other bed categories, such as skilled nursing, ambulatory residential, and retirement housing. Adventist includes approximately 37,000 associates, including physicians, allied health professionals, and support services. Adventist owns or operates 25 hospitals, approximately 370 clinics (physician clinics, hospital-based clinics, and rural health clinics), 15 home care agencies, eight hospice agencies, one fully owned continuing care retirement community, and three joint-venture retirement centers.

Obligated Group

The Obligated Group consists of Adventist and 17 affiliate nonprofit hospital corporations, 14 of which own and operate facilities in California, two in Oregon, and one in Hawaii. The Obligated Group is the central financing and credit vehicle for Adventist. The members of the Obligated Group are jointly and severally liable for substantially all of Adventist's debt under the terms of the Master Indenture.

<u>Obligated Group Hospital Name</u>	<u>Location</u>
Adventist Health Bakersfield	Bakersfield, CA
Adventist Health Clear Lake	Clearlake, CA
Adventist Health Delano	Delano, CA
Adventist Health Hanford	Hanford, CA
Adventist Health Feather River	Paradise, CA
Adventist Health Glendale	Glendale, CA
Adventist Health Howard Memorial	Willits, CA
Adventist Health Lodi Memorial	Lodi, CA
Adventist Health Reedley	Reedley, CA
Adventist Health Simi Valley	Simi Valley, CA
Adventist Health Sonora	Sonora, CA
Adventist Health Tehachapi Valley	Tehachapi, CA
Adventist Health Ukiah Valley	Ukiah, CA
Adventist Health White Memorial	Los Angeles, CA
Adventist Health Castle	Kailua, HI
Adventist Health Portland	Portland, OR
Adventist Health Tillamook	Tillamook, OR

Licensure and Memberships

Each of Adventist's California hospital facilities is accredited by The Joint Commission, and each hospital and skilled nursing facility is appropriately licensed by applicable California state licensing agencies and is fully certified for Medicare and Medicaid reimbursement.

STAFF RECOMMENDATION

Staff recommends the Authority approve Resolution No. 452 in an amount not to exceed \$75,000,000 for Adventist Health System/West, subject to the conditions in the resolution. TAP International, Inc., the Authority's financial analyst, and KNN Public Finance, LLC, the Authority's municipal advisor, concur with the Authority's staff recommendations.

EXHIBIT 1
PROJECT SITES

- One Adventist Health Way, Roseville, CA 95661
- 2615 and 2620 Chester Avenue, Bakersfield, CA 93301
- 3001 and 3015 Sillect Avenue, Bakersfield, CA 93308

EXHIBIT 2

FINANCING TEAM

Borrower: Adventist Health System/West

Agent for Sale: California State Treasurer

Issuer's Counsel: Office of the Attorney General

Issuer's Municipal Advisor: KNN Public Finance, LLC

Issuer's Financial Analyst: TAP International, Inc.

Borrower's Counsel: Katten Muchin Rosenman LLP

Bond Counsel: Orrick, Herrington & Sutcliffe LLP

Underwriter: RBC Capital Markets LLC

Purchaser: Royal Bank of Canada

Purchaser's Counsel: Chapman and Cutler LLP

Bond Trustee: US Bank Global Corporate Trust

Master Trustee: The Bank of New York Mellon Trust Company, N.A.

Master Trustee's Counsel: The Law Office of Samuel D. Waldman

Auditor: Ernst & Young LLP

RESOLUTION NO. 452

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES
FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF
REVENUE BONDS TO FINANCE AND/OR REFINANCE
PROJECTS AT THE HEALTH FACILITIES OF
ADVENTIST HEALTH SYSTEM/WEST AND CERTAIN OF ITS AFFILIATES

WHEREAS, the California Health Facilities Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Health Facilities Financing Authority Act (the “Act”) to issue revenue bonds and loan proceeds thereof to any participating health institution to finance the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities (including by reimbursing expenditures made for such purposes), to refinance indebtedness of a participating health institution in connection therewith and to refund any outstanding bonds or any outstanding series or issue of bonds of the Authority; and

WHEREAS, Adventist Health System/West (the “Borrower”) is affiliated with, among others, San Joaquin Community Hospital d/b/a Adventist Health Bakersfield (“AH Bakersfield”) and Heart Hospital of BK, LLC, the sole member of which is SILLECT Heart, LLC, the sole member of which is the Borrower (“Bakersfield Heart Hospital”), each of which is a nonprofit religious corporation or limited liability corporation directly owned by the Borrower, duly organized and existing under the laws of the State of California and each of which owns and operates health care facilities in the State of California; and

WHEREAS, the Borrower has requested that the Authority issue one or more series of its revenue bonds in an aggregate principal amount not to exceed \$75,000,000, and make one or more loans of the proceeds thereof to the Borrower to (i) reimburse certain costs of and/or finance and/or refinance the construction, expansion, remodeling, renovation, furnishing, equipping and/or acquisition of certain health facilities of the Corporation and certain of its affiliates, as more particularly described under the caption “The Project” in Exhibit A hereto (the “Project”) and (ii) pay costs of issuance of the Bonds (as defined below); and

WHEREAS, the Bonds will initially be sold to RBC Capital Markets, LLC, as underwriter (the “Underwriter”) and resold by the Underwriter to its affiliate, Royal Bank of Canada or another affiliate thereof, which is a “Qualified Institutional Buyer” as defined under Rule 144A of the Securities Act of 1933; and

WHEREAS, to the extent required by subdivision (b) of Section 15455 of the Government Code, the Borrower has provided documentation to the Authority demonstrating, to the extent applicable, that the Project has complied with Division 13 (commencing with Section 21000) of the Public Resources Code or is not a “project” under such division; and

WHEREAS, approval of the terms of issuance and sale of such revenue bonds and various related matters is now sought;

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

SECTION 1. Pursuant to the Act, revenue bonds of the Authority designated as the “California Health Facilities Financing Authority Revenue Bonds (Adventist Health System/West), Series 2023A” (the “Bonds”), in a total aggregate principal amount not to exceed \$75,000,000, 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 any of the bond indentures pursuant to which the Bonds will be issued. The proceeds of the Bonds shall be used for any or all of the purposes set forth in the third recital above.

SECTION 2. The Treasurer of the State of California (the “Treasurer”) is hereby authorized to enter into agreements to sell the Bonds in one or more series, on one or more sale dates at any time prior to the first anniversary of the date of this Resolution, at public or private sale, in such aggregate principal amounts (not to exceed the aggregate principal amount set forth in Section 1) and in such series, at such prices (so long as the discount on the Bonds sold shall not exceed 6 percent of the par value thereof) and at such interest rate or rates and upon such other terms and conditions as the Treasurer, with the advice and consent of the Borrower, may determine. The Bonds or any series of them may, at the sole option of the Borrower, be secured by deeds of trust, a reserve fund, bond insurance, credit facility and other security arrangements and/or supported by one or more liquidity facilities.

SECTION 3. The proposed forms of the following documents:

- (i) one or more Loan Agreements relating to the Bonds (collectively, the “Loan Agreement”), each between the Authority and the Borrower,
- (ii) one or more Bond Indentures relating to the Bonds (collectively, the “Bond Indenture”), each between the Authority and U.S. Bank Trust Company, National Association, as bond trustee (the “Bond Trustee”),
- (iii) one or more Bond Purchase Agreements, including the exhibits thereto, relating to the Bonds (collectively, the “Purchase Agreement”), each among the Underwriter, the Treasurer and the Authority, and approved by the Borrower,

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect provisions relating to a deed of trust, a bond reserve fund, bond insurance, any other credit and/or liquidity facility and/or another security arrangement, at the sole option of the Borrower, for any series of Bonds) as the officer executing the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Loan Agreement, the Bond Indenture and the Purchase Agreement. The Executive Director shall seek the advice of bond counsel and counsel to the Authority with respect to any such insertions, deletions or changes therein.

SECTION 4. The Authority hereby specifically finds and declares that the findings of the Authority set forth in the Loan Agreement are true and correct.

SECTION 5. The dated dates, maturity dates (not exceeding 40 years from the respective date of issue), interest rates, interest rate modes, manner of determining interest rates, interest payment dates, denominations, forms, registration privileges or requirements, place or places of payment, terms of tender or purchase, terms of redemption, provisions governing transfer and other terms of the Bonds, including provisions for a credit facility and/or a liquidity facility from time to time, shall be as provided in each Bond Indenture, as finally executed.

SECTION 6. The Bonds, when executed, shall be delivered to the Bond Trustee for authentication by the Bond Trustee. The Bond Trustee is hereby requested and directed to authenticate the Bonds by executing the Bond Trustee's Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to or upon direction of the Underwriter thereof in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved. Said instructions shall provide for the delivery of the Bonds to or upon direction of the Underwriter, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

SECTION 7. Each officer of the Authority is hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things which they may deem necessary or advisable in order to consummate the issuance, sale, and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution and the Bond Indenture, Loan Agreement and Purchase Agreement. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: (a) a tax certificate and agreement and other certifications and (b) any agreement or commitment letter with respect to the provisions of bond insurance, a letter of credit, a surety bond, a credit facility and/or a liquidity facility for the Bonds of any series.

SECTION 8. The provisions of the Authority's Resolution No. 2022-05 apply to the documents and actions approved in this Resolution.

SECTION 9. 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 10. This Resolution shall take effect from and after the date of adoption.

Date of Adoption: _____

EXHIBIT A

THE PROJECT

The “Project” consists of the construction, expansion, remodeling, renovation, furnishing, equipping and/or acquisition of certain health facilities all owned or to be owned by the Borrower and/or one or more affiliates of the Borrower, as follows:

- Borrower, and located generally at One Adventist Health Way, Roseville, CA 95661;
- AH Bakersfield, and located generally at 2615 and 2620 Chester Ave, Bakersfield, CA 93301; and
- Bakersfield Heart Hospital, and located generally at 3001 and 3015 Sillect Ave, Bakersfield, CA 93308.