CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Sutter Health (“Sutter”) 2200 River Plaza Drive Sacramento, CA 95833	**Maximum Amount Requested:**	$800,000,000
		Date Requested:	January 6, 2011
		Requested Loan Term:	Up to 40 years
		Resolution Number:	360

Projects Sites: **(**See Exhibit 1)
Facility Types: General acute, sub- acute and outpatient care
Prior Borrower: Yes
Obligated Group: The Sutter Health Obligated Group “SHOG” (a central financing vehicle for the Sutter Health system) is identified on Exhibit 5.

Background: Sutter, a California nonprofit public benefit corporation, is the “parent” of the Sutter Health system (comprised of Sutter Health and its affiliated health care organizations) (the “System”), which operates primarily in Northern California. The System provides a broad range of health care services, including acute, sub-acute, long-term, home health, and outpatient care, as well as physician delivery systems. These services are provided through an integrated health care delivery approach which gives the System the ability to deliver a full range of health care products and services to the communities it serves.

Use of Proceeds: Bond proceeds will be used to current refund in whole or in part three prior CHFFA insured revenue bond issues, Series 1997C, 1998A and, 1999A, and CHFFA revenue bond issue, Series 2000A, and to finance the construction, furnishing, and equipping of a new hospital and a new patient care pavilion.

Type of Issue:	Negotiated public offering with fixed rate bonds (Minimum $5,000 denominations)
Credit Enhancement:	None
Expected Credit Rating:	A+/Aa3/AA- S&P/Moody’s/Fitch
Underwriters:	Morgan Stanley, Bank of America Merrill Lynch, & Sutter Securities, Inc.
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Financing Team:	*Please see Exhibit 2 to identify possible conflicts of interest*

Financial Overview: SHOG’s income statement appears to exhibit stable and strong operating results during the review period FY 2007 to FY 2009. SHOG’s financial strength appears strong with a pro-forma debt service coverage ratio of 4.97x.

Estimated Sources of Funds:

CHFFA 2011 Series C and D		
Par amount of CHFFA bond	$	800,000,000
Sutter Equity		12,000,000
Total Estimated Sources	$	812,000,000

Estimated Uses of Funds:

CHFFA 2011 Series C and D		
Refunding escrow deposits	$	300,000,000
New money & contingency		500,000,000
Cost of issuance		12,000,000
Total Estimated Uses	$	812,000,000

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

Staff Recommendation: Staff recommends the Authority approve Resolution Number 360 in an amount not to exceed $800,000,000 (which Resolution is expressly conditioned on receipt of an investment grade rating by a nationally recognized rating agency). Macias Gini & O’Connell, LLP, the Authority’s financial analyst, and Public Financial Management, the Authority’s financial advisor, concur with the Authority’s staff recommendation.

(YD/CA)

I. PURPOSE OF FINANCING:

Bond proceeds will be used to current refund[1] in whole or in part certain prior CHFFA bonds, and to finance the construction, furnishing, and equipping of a new hospital and patient care pavilion. As a result of the CHFFA refunding, Sutter expects to realize an interest savings of approximately $6.7 million over the life of the bonds.

Sutter seeks to use approximately $300 million in bond proceeds to current refund, in whole or in part, three prior CHFFA insured revenue bond issues, Series 1997C, 1998A and, 1999A, and CHFFA revenue bond issue, Series 2000A that were issued to finance projects throughout Northern California. The refunding will remove downgraded bond insurance. If interest rates are higher than planned, some or all of the refunding may be deferred until a more opportune occasion.

CHFFA 2011 Series C Refunding Bonds.. $300,000,000

CHFFA/Sutter Health Series 1997C Bonds
The CHFFA/Sutter Health Series 1997C Bond proceeds were used to advance refund the 1992 Series A, City of Berkeley Health Facility Refunding Revenue Bonds (Alta Bates Medical Center), and to pay for the cost of issuance and bond insurance. The Series 1997C Bonds are insured by Assured Guaranty Municipal Corporation (formerly Financial Security Assurance Inc.)

CHFFA/Sutter Health Series 1998A Bonds
The CHFFA/Sutter Health Series 1998A Bond proceeds were used to (1) reimburse Sutter for the cost of the purchase of Eden Medical Center, (2) construct new facilities for two hospitals, Sutter Amador Hospital and Novato Community Hospital, (3) fund construction, improvements, and purchase equipment for an additional two Members of the Obligated Group and, (4) reimburse certain expenditures. The Series 1998A Bonds are insured by Assured Guaranty Municipal Corporation (formerly Financial Securities Assurance, Inc.), and MBIA Insurance Corporation.

CHFFA/Sutter Health Series 1999A Bonds
The CHFFA/Sutter Health Series 1999A Bond proceeds were used to reimburse Sutter for purchasing Davies Medical Center (San Francisco), finance capital expenditures, and deposit part of the proceeds into an escrow fund to advance refund the 1989 and 1990 Bonds. The Series 1999A Bonds were insured by MBIA Insurance Corporation.

CHFFA/Sutter Health Series 2000A Bonds
The CHFFA/Sutter Health Series 2000A Bond proceeds were used to finance capital expenditures at Alta Bates Summit Medical Center, including seismic upgrades and renovation, life safety systems, ADA compliance (wheelchair access, etc), nursing unit upgrades, relocation of pulmonary nursing facility, and other miscellaneous projects. The Series 2000A Bonds were not insured.

[1] Current refundings contemplate that the prior refunded bonds are redeemed within 90 days following the new bond issue. A borrower can current refund bonds more than once under federal tax law.

CHFFA 2011 Series D Bonds.. 500,000,000

Proceeds will be used to construct, furnish and equip two facilities, which include the following:

- Sutter Medical Center Castro Valley, a new 230,000 square foot, seven-story replacement hospital (replacing Eden Medical Center) being constructed on property adjacent to the existing hospital located at 20103 Lake Chabot Road, Castro Valley, CA 94546, which will include 130 acute care beds, an emergency department, a trauma center, an urgent care center, OB/Maternity services and neurosciences. Approximately $300 million of the proceeds will be used for this project.

- Alta Bates Summit Medical Center, a new 250,000 square foot, thirteen-story urban replacement hospital called "Patient Care Pavilion" on a new site located at 350 Hawthorne Ave., Oakland, CA 94609, which will include 180 medical/surgical beds and 58 acute rehabilitation beds. The second phase of this project will include a new 21,000 square foot Emergency Department with 30 exam bays. Approximately $200 million of the proceeds will be used for this project.

Cost of Issuance.. 12,000,000

Sutter will use its own equity to pay for the costs of issuance including: the underwriter's discount, issuer fees, bond counsel fees, borrower's counsel fees, underwriter's counsel fees, rating agency fees, trustee fees, and master trustee fees.

Total Uses of Funds... $812,000,000

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

Sutter is a Member of an Obligated Group which currently consists of fifteen affiliated California nonprofit public benefit corporations, each of which is jointly and severally obligated under a master trust indenture with respect to payments on CHFFA bonds and other parity debt. Sutter is the borrower under the loan agreement with CHFFA and acts on behalf of the other Obligated Group Members. All covenants below are applicable to each Member of the Obligated Group. There are also protective tests limiting Members from being added to or withdrawing from the Obligated Group if the change would result in a significant reduction of the financial strength of the Obligated Group.

After reviewing Sutter's current finances, Sutter's prior bond transactions, and considering what the market will support, the financing team concluded the below listed covenants should be applicable to this transaction. The team notes these covenants are consistent with covenants that have applied to Sutter's prior bond transactions and that Sutter's current financial situation does not suggest additional covenants should be required.

The following covenants are applicable to this transaction.

Unconditional Promise to Pay. Sutter agrees to pay the Bond Trustee all amounts required for principal, interest or redemption premium, if applicable, and other payments and expenses designated in the Loan Agreement. The Obligated Group guarantees all such payments under a master indenture obligation. All Revenues (which will include payments by Sutter under the Loan Agreement and payments by the Obligated Group) and any other amounts held in a designated fund or account under the Bond Indenture are pledged to secure the full payment of the Bonds.

Pledge of Gross Revenues. Each Member of the Obligated Group pledges to deposit all revenues, income, receipts and money received into a Gross Revenue Fund over which the Master Trustee has a blocked 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 Gross Revenues or their respective Property other than Permitted Encumbrances.

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

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 debt service payments.

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.

Disposition of Cash and Property Limitations. Each Obligated Group Member agrees not to sell, lease or dispose of any property, plant or equipment or liquid assets unless authorized by various limiting measures set out in the Master Indenture.

Comply with SEC Rule 15c2-12. Sutter, on behalf of the Obligated Group, will take such action as is necessary to assist the underwriter in complying with SEC Rule 15c2-12. Sutter will contractually agree to disclose designated financial and operating information to the SEC web site (EMMA) during the life of the bonds and to report designated "material events" such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc.

There will not be a debt service reserve account pledged to these bonds.

III. FINANCIAL STATEMENTS AND ANALYSIS:

SUTTER HEALTH OBLIGATED GROUP
Combined Statements of Operations
($ millions)

	For the Year Ended December 31,		
	2009	2008	2007
Unrestricted revenues, gains and other support:			
Patient service revenues	$ 7,006	$ 6,521	$ 5,840
Capitation revenues	990	1,003	1,092
Contributions	5	9	6
Other	350	347	358
Total revenues, gains and other support	8,351	7,880	7,296
Expenses:			
Salaries and employee benefits	3,791	3,460	3,094
Purchased services	1,611	1,572	1,516
Supplies	908	884	833
Depreciation and amortization	415	390	357
Capitated purchased services	229	256	288
Provision for bad debts	313	261	246
Interest	85	92	77
Rentals and leases	112	104	97
Insurance	80	71	65
Other	293	300	273
Total operating expenses	7,837	7,390	6,846
Income from operations	**514**	**490**	**450**
Investment income	18	12	133
Change in net unrealized gains and loss on investments classified as trading	178	(213)	(15)
Income	**710**	**289**	**568**

SUTTER HEALTH OBLIGATED GROUP
Combined Balance Sheets
($ millions)

	As of December 31, 2009	2008	2007
Assets			
Current assets:			
Cash and cash equivalents	$ 355	$ 383	$ 232
Short-term investments	1,167	763	1,087
Other current assets	1,460	1,328	1,428
Total current assets	2,982	2,474	2,747
Non-current investments	941	1,265	1,355
Property, plant and equipment, net	4,745	4,352	3,732
Other assets	348	249	351
Total assets	$ 9,016	$ 8,340	$ 8,185
Liabilities and net assets			
Current liabilities:			
Accounts payable and accrued expenses	$ 1,152	$ 1,109	$ 1,257
Current portion of long-term obligations	63	28	28
Total current liabilities	1,215	1,137	1,285
Non-current liabilities:			
Long-term obligations, less current portion	2,490	2,941	2,331
Other	491	461	481
Net assets:			
Unrestricted	4,745	3,753	3,998
Temporarily restricted	62	39	70
Permanently restricted	13	9	20
	4,820	3,801	4,088
Total liabilities and net assets	$ 9,016	$ 8,340	$ 8,185

Financial Ratios:

	Proforma [a] FYE December 31, 2009	2009	2008	2007
Debt Service Coverage (x)	4.97	8.97	8.10	7.13
Debt/Unrestricted Net Assets (x)	0.78	0.64	0.91	0.71
Margin (%)		6.15	6.22	6.17
Current Ratio (x)		2.45	2.18	2.14

[a] Recalculates FY 2009 audited results to include the impact of this proposed financing and the proposed CSCDA financing.

The Sutter Health Obligated Group "SHOG" is a central financing vehicle for the Sutter Health system, and is identified on Exhibit 5.

Financial Discussion – Statement of Activities (Income Statement)

SHOG's income statement appears to exhibit stable and strong operating results during the review period FY 2007 to FY 2009.

Particular Facts to Note:

- SHOG's operating margin has remained relatively stable between 6.17% in FY 2007 and 6.15% in FY 2009, which shows that SHOG has continuously sustained positive income from operations.

- SHOG's income from operations has increased by 14% from approximately$450 million in FY 2007 to approximately $514 million in FY 2009.

- During the review period, revenues increased by approximately 14% from FY 2007 to FY 2009. Sutter reports that the increase can be attributed to increases in patient admissions, in-patient service revenues and capitation revenues reflecting increased volumes in outpatient services and at some of the medical foundations.

- In FY 2009, SHOG derived 39.6% of its gross patient service revenues from Medicare 15.9% from Medi-Cal, 38.8% from commercial programs, and 6% from other payors.

- Expenses have also increased in relative proportion to revenues, seeming to keep SHOG's profit margin relatively stable during the review period. According to Sutter's management, most of the increase in expenses can be attributed to an increase in salaries and benefits.

- SHOG's interim financial statements for September 30, 2010 reveal that SHOG continues to exhibit stable operations with an operating margin of approximately 7.33%.

Financial Discussion – Statement of Financial Position (Balance Sheet)

SHOG's financial strength appears strong with a proforma debt service coverage ratio of 4.97x.

- SHOG's debt-to-unrestricted net assets ratio is .64x, while its current ratio (a measurement of liquidity) is a solid 2.45x. The current debt service coverage ratio is 8.97x, and with this financing the proforma debt service coverage ratio becomes 4.97x, which indicates that SHOG should be capable of repaying the proposed CHFFA Bonds.

- Property, plant and equipment increased by approximately 27% from approximately $3.7 billion in FY 2007 to $4.75 billion in FY 2009 due to SHOG's continued investments in its facilities.

- SHOG's interim financial statements for September 30, 2010 show cash and cash equivalents totaling $384 million, yielding a current ratio of approximately 2.8x, which suggests an improving liquidity position.

- Sutter is simultaneously seeking the issuance of California Statewide Communities Development Authority (CSCDA) Series 2011 A and B Bonds for refinancing CSCDA 1999 Certificates of Participation in the amount of approximately $106 million and for the construction, furnishing and equipping of a Women's and Children's Center hospital building as well as the remodeling of an existing hospital (both in Sacramento) in the amount of approximately $300 million. This additional debt issuance was taken into consideration when calculating SHOG's proforma debt service coverage ratio. As a result of the CSCDA refunding, Sutter expects to realize an interest savings of approximately $2.6 million over the life of the bonds.

IV. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Savings Pass Through)**: Sutter properly completed and submitted the "Pass-Through Savings Certification," in addition to a narrative explaining how it intends to pass through savings.
- **Section 15491.1 of the Act (Community Service Requirement)**: Sutter properly completed and submitted this certification and indicated that Medi-Cal and Medicare patients are accepted.
- **Compliance with Seismic Regulations**: Sutter properly completed and submitted a description of its seismic requirements.
- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act)**: Sutter properly submitted documentation to the Authority, where applicable, demonstrating that each proposed project has either complied with Division 13 (commencing with Section 21000) of the Public Resources Code, or is otherwise not a "project" under that division.
- **Religious Due Diligence**.
- **Legal Review**.

EXHIBIT 1

PROJECTS' SITES

New Money Project Sites

- **New Hospital**
  Sutter Medical Center Castro Valley
  20103 Lake Chabot Road
  Castro Valley, CA 94546
  (County of Alameda)

- **Patient Care Pavilion**
  Alta Bates Summit Medical Center
  Summit Campus
  350 Hawthorne Ave
  Oakland, CA 94609
  (County of Alameda)

Refinancing Project Sites

- Finance or refinance costs relating to the acquisition, construction, improvement, renovation and equipping of certain healthcare facilities located generally at:

  2450 Ashby Avenue, 2500 Milvia Street, 2501-2525 Shattuck Avenue, 2829 Shattuck Avenue, 2001 Dwight Way, Berkeley, California; and 2000 Powell Street, 9th Floor, and 1900 Powell Street, 10th Floor, Emeryville, California.

- Finance or refinance the acquisition, construction, improvement, equipping and renovation of healthcare facilities located generally at:

  3901 Lone Tree Way, Antioch, CA; 2450 Ashby Avenue, Berkeley, CA; 20103, 19933, 20130, 19991, and 19845 Lake Chabot Road, and 20246 Stanton Avenue Castro Valley, CA; 180 Rowland Way, and a parcel of undeveloped land at the north terminus of Rowland Way in the Golden Gate Business Park, Novato, CA; 810 Court Street, and a parcel of undeveloped land on Highway 88 across from where Court Street meets Highway 88 and across from the present hospital, Jackson, CA; 2801 L Street and 5151 F Street, Sacramento, CA; 5176 Hill Road East, Lakeport, CA; 3324 and 3325 Chanate Road, Santa Rosa, CA; and 600 Coffee Road, Modesto, CA.

- Finance or refinance costs relating to the acquisition, construction, improvement, renovation and equipping of certain healthcare facilities located generally at:

2800 and 2801 L Street; 5151 F Street and 7700 Folsom Blvd, Sacramento, CA; 45 Castro, 3700 California Street, and 2333 Buchanan Street, San Francisco, CA; and 250 Bon Air Road, Greenbrae, CA.

- Finance or refinance the cost of the acquisition of certain property, plant and equipment comprising the acute care hospitals and certain related health care facilities located generally at:

  350, 370, 400, 408, 411, 422 and 435 Hawthorne Ave., 450 30th St., 349, 358, 364, 370, 374, 380, 384, 400 and 439 34th St., 390 40th St., 3100 Summit St., Oakland, CA.

- Finance or refinance the acquisition, construction, improvement, equipping and renovation of healthcare facilities located at:

  2450 Ashby Ave. and 2001 Dwight Way, Berkeley, CA.

EXHIBIT 2

FINANCING TEAM

Trustee and Escrow Agent:	Wells Fargo Bank, N.A.
Trustee's Counsel:	Wells Fargo In-House Counsel
Rating Agency:	Standard & Poor's, Fitch Ratings, and Moody's Investors Service
Issuer's Financial Advisor:	Public Finance Management
Borrower's Counsel:	Manatt, Phelps & Phillips, LLP
Bond Counsel:	Orrick, Herrington & Sutcliffe, LLP
Underwriters:	Senior manager: Morgan Stanley, co-managers: Bank of America Merrill Lynch, and Sutter Securities, Inc.
Underwriter's Counsel:	Sidley Austin LLP

EXHIBIT 3

UTILIZATION STATISTICS

Group [1]
Acute Care Facility Utilization

	Fiscal Year Ended December 31,			Nine Months Ended September 30,	
	2007	**2008**	**2009**	**2009**	**2010**
Licensed Beds	**5,037**	**5,023**	**4,953**	**4,781**	**4,816**
Beds in Service	**4,482**	**4,533**	**4,546**	**4,501**	**4,515**
Admissions[2]	**207,895**	**207,604**	**209,278**	**156,248**	**156,049**
Patient Days[2]	**1,022,288**	**1,018,770**	**987,860**	**743,515**	**724,122**
Average Length of Stay (Days)	4.9	4.9	4.7	4.8	4.6
Occupancy %[3]	62.5	61.6	59.5	60.5	58.7
Emergency Room Visits[4]	**743,572**	**753,659**	**793,087**	**594,599**	**592,241**

(1) All periods reflect the withdrawal of Marin General Hospital from the Obligated Group in September 2007.
(2) Excludes well newborns.
(3) Based on Beds in Service.
(4) Does not include Emergency Room patients subsequently admitted as inpatients.

The Obligated Group
Long-Term Care Facility Utilization [1]

	Fiscal Year Ended December 31,			Nine Months Ended September 30,	
	2007	**2008**	**2009**	**2009**	**2010**
Licensed and Operating Beds	75	75	75	75	75
Patient Days	13,652	16,661	14,787	11,264	11,180
Occupancy %	49.9	60.7	54.0	55.0	54.6

(1)Reflects Mills-Peninsula Extended Care as the only free-standing skilled nursing facility operating under its own license and Medicare provider number.

EXHIBIT 4

OUTSTANDING DEBT FOR SUTTER HEALTH OBLIGATED GROUP:

(Thousands)

Date Issued	Original Amount	Amount Outstanding As of September 30, 2010	Estimated Amount Outstanding after Proposed Financing[2]
Existing Long-Term Debt:			
CHFFA Insured Refunding Revenue bond, 1997 Series C	$88,600	$55,730	$0
CHFFA Insured Revenue Bond, 1998 Series A	175,000	175,000	0
CHFFA Insured Revenue Bond, 1999 Series A	138,000	128,985	0
CSCDA COPs 1999	106,125	106,125	0
CHFFA Revenue Bonds, 2000 Series A	52,000	52,000	0
CSCDA Revenue Bonds, 2002 Series B	156,435	156,435	156,435
CSCDA Revenue Bonds, 2003 Series A and B	101,125	95,840	95,840
CSCDA Revenue Bonds, 2004 Series C and D	102,700	79,470	79,470
CSCDA Revenue Bonds, 2005 Series A	224,460	224,460	224,460
CSCDA Revenue Bonds, 2005 Series B and C	50,000	47,430	47,430
CHFFA Revenue Bonds, 2007 Series A	756,410	756,410	756,410
CSCDA Revenue Bonds, 2008 Series B	252,675	252,675	252,675

[2] Assumes all refundings will proceed; final signing will depend on interest rates and projected savings for each issue to be refunded.

CHFFA Revenue Bonds, 2008 Series A	321,345	271,580	271,580
CSCDA Revenue Bonds, 2008 Series C	47,325	47,325	47,325
Proposed New Debt:			
CHFFA Refunding Revenue Bond, 2011 Series C		N/A	**292,601**
CHFFA Revenue Bond, 2011 Series D		N/A	**507,399**
CSCDA 2011 Series A		N/A	**106,125**
CSCDA 2011 Series B		N/A	**284,635**
TOTAL DEBT		**$2,449,465**	**$3,116,515**

EXHIBIT 5

BACKGROUND, GOVERNANCE AND LICENSURE

Background

Sutter Health, a California nonprofit public benefit corporation, ("Sutter Health") is the "parent" of various Affiliated Entities (defined below) that operate primarily in Northern California. The Affiliated Entities, together with Sutter Health, comprise the Sutter Health system (the "Sutter Health system"), providing a full range of health care and related services through an integrated health care delivery model. Sutter Health also provides certain centralized support functions to the Sutter Health system, which include the operation of a system-wide laboratory, administrative services and initiatives throughout Northern California.

The mission of the Sutter Health system is to enhance the well-being of people in the communities it serves through a not-for-profit commitment to compassion and excellence in health care services. The Sutter Health system's vision is to lead the transformation of health care to achieve the highest levels of quality, access and affordability. At both local and regional levels, the Sutter Health system's goal is to be the preferred provider to its patients and customers, the best place to work and practice and a role model of community citizenship.

The Operating Corporations (defined below) provide financial assistance programs to those in need based on income criteria and ineligibility in other governmental and insurance programs. The financial assistance program provides many covered services required to be covered by a Knox-Keene licensed Health Plan and these provided services result in free or discounted care based on financial assistance eligibility.

As used in this Appendix A, "Affiliated Entity" means any organization that directly, or indirectly through one or more intermediaries, is controlled by or is under common control with Sutter Health.

As used in this Appendix A, "Operating Corporation" means each Affiliated Entity responsible for operating health care facilities and programs, including, but not limited to, acute care hospitals, medical foundations, skilled nursing facilities, home health and hospice and other continuing care operations.

There are Affiliated Entities that are not Obligated Group Members (each, a "Non-Obligated Group Member" and, collectively, the "Non-Obligated Group Members"). Only the Obligated Group Members are obligated under the Master Indenture. None of the Non-Obligated Group Members have assumed any financial obligation related to the payment or security for any of the Bonds or any other obligations incurred under the Master Indenture.

As of September 30, 2010, the Sutter Health system included, but was not limited to, 15 Operating Corporations that either owned or leased and operated:

- Thirty-one acute care facilities (two of which are acute psychiatric hospitals), four free-standing skilled nursing facilities and two free-standing chemical dependency recovery hospitals operating under 27 licenses, with a total of 5,543 licensed beds;

- Five medical foundations that contract with medical groups organized as professional corporations that account for the services of 2,225 physicians and physician extenders; and

- Fourteen home health care locations.

Sutter Health Obligated Group

The Obligated Group was formed to facilitate access to capital for Sutter Health and selected Affiliated Entities by unifying the credit of the Obligated Group Members through the Master Indenture. The schedule below lists the Obligated Group Members and reflects the corporate reorganization described above under "THE SUTTER HEALTH SYSTEM—Organization." As described therein, the reorganization implemented a new governance structure for the existing Obligated Group Members and involved only a minor disposition of assets from the Obligated Group.

Members

- East Bay Perinatal Center
- Sutter Gould Medical Foundation
- Eden Medical Center
- Sutter Health
- Mills-Peninsula Health Services
- Sutter Health Sacramento Sierra Region
- Palo Alto Medical Foundation for Health Care, Research and Education
- Sutter Medical Foundation
- Sutter Medical Center, Castro Valley
- Sutter Coast Hospital
- Sutter Central Valley Hospitals
- Sutter Visiting Nurse Association and Hospice
- Sutter West Bay Hospitals
- Sutter East Bay Hospitals
- Marin Community Health

There are Affiliated Entities that are not Obligated Group Members (each, a "Non-Obligated Group Member" and, collectively, the "Non-Obligated Group Members"). Only the Obligated Group Members are obligated under the Master Indenture. None of the Non-Obligated Group Members have assumed any financial obligation related to the payment or security for any of the Bonds or any other obligations incurred under the Master Indenture.

The Members of the Obligated Group may change from time to time, and, accordingly, not all of the Obligated Group Members have been in the Obligated Group for all time periods shown in the utilization, operating and financial data presented.

Corporate Governance

Sutter Health is governed by a 14-member board of directors (the "Board"). One of those positions is ex-officio and is filled by the President and Chief Executive Officer of Sutter Health. Members are elected by the Board of Directors to serve three-year terms with a maximum of three consecutive terms.

Licensure and Memberships

Sutter is licensed under many of its affiliates for an aggregate total of 4,527 general acute beds, 353 acute psychiatric beds, 589 skilled nursing beds and 74 chemical dependency recovery beds.

All Sutter affiliated hospitals are licensed by the Department of Health Services. The Obligated Group Members that operate acute care hospital facilities participate in the Medicare program and provide a range of services to Medicare and Medi-Cal patients under various payment arrangements.