CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Children's Hospital Los Angeles ("CHLA") 4650 Sunset Boulevard Los Angeles, CA 90027 Los Angeles County	**Amount Requested:** **Requested Loan Term:** **Authority Meeting Date:** **Resolution Number:**	$215,000,000 Up to 40 years June 28, 2012 380

Project Sites: 4546, 4551, 4584, 4601, 4650 and 4661 Sunset Boulevard; 4616 DeLongpre Avenue and 4600 Maubert Avenue, Los Angeles, California

Facility Type: Acute Care Hospital - Government Code 15432(d)(1)

Prior Borrower: Yes (date of last CHFFA issue 2010)

Obligated Group: CHLA is the sole member

Background: Incorporated in 1901, CHLA is a California nonprofit public benefit corporation operating a 345-bed acute care hospital, various outpatient clinics and related facilities for the care and treatment of sick and injured children. CHLA's facilities serve as a referral resource for critically ill and seriously injured children in the Southwestern United States. Each year, CHLA provides more than 97,000 children with pediatric health care in a setting designed just for their needs. In FY 2011, CHLA treated approximately 62,415 patients in its emergency room and recorded more than 246,395 outpatient visits. (See Exhibits 2 and 4 for more detail).

Use of Proceeds: Bond proceeds will be used to refund on a current basis, in whole or in part, CHLA's CSCDA Certificates of Participation Series 1999, CSCDA Variable Rate Revenue Bonds Series 2009, and CHFFA Variable Rate Revenue Bonds Series 2010B as well as potentially fund a debt service reserve fund. CHLA expects an estimated $8 million or more of present value savings over the life of the bonds with the refunding of the CSCDA Series 1999 COPs. (Please see page two for more detail).

Type of Issue:	Negotiated public offering with fixed rate bonds (Expected minimum denominations of $5,000) & floating rate notes (Expected minimum denominations of $100,000).
Credit Enhancement:	None
Expected Credit Rating:	BBB+/Baa2 S&P/ Moody's
Financing Team:	*Please see Exhibit 1 to identify possible conflicts of interest*

Financial Overview: CHLA's income statement appears to exhibit improvement in its operations over the review period from FY 2009 to FY 2011 and appears to have a strong financial position with a proforma operating debt service coverage ratio of 4.12x.

Estimated Sources of Funds:			**Estimated Uses of Funds:**		
Bond proceeds	$	215,000,000	Refunding	$	190,700,000
			Debt service reserve fund		20,000,000
			Financing costs		4,300,000
Total Estimated Sources	$	215,000,000	**Total Estimated Uses**	$	215,000,000

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

Staff Recommendation: Staff recommends the Authority approve Resolution Number 380 in an amount not to exceed $215,000,000 subject to, (1) the conditions in the resolution, including a bond rating of at least investment grade by a nationally recognized rating agency and (2) approval of a TEFRA hearing to be held July 9, 2012. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Public Financial Management, Inc., the Authority's financial advisor, concur with the Authority's staff recommendation.

I. PURPOSE OF FINANCING:

CHLA intends to use the bond proceeds from this transaction to refund, in whole or in part, three of its outstanding bond issues to better position CHLA financially:

(1) CHLA plans to refund its California Statewide Communities Development Authority ("CSCDA") Certificates of Participation ("COPs") Series 1999 to be replaced with new long-term fixed rate bonds. Based on current market conditions, the refunding of the Series 1999 COPs is expected to result in an estimated $8 million or more of present value savings over the life of the bonds;

(2) CHLA plans to refund its CSCDA Variable Rate Revenue Bonds Series 2009 and to replace the same with long-term fixed rate bonds to eliminate the need to renew or remarket the bonds in the future, and to take advantage of the current market's historically low level of tax-exempt long-term fixed interest rates and;

(3) CHLA plans to refund its CHFFA Variable Rate Revenue Bonds Series 2010B and to replace the same with floating rate notes. Initially, in order to facilitate the issuance of the CHFFA Series 2010B Bonds, CHLA provided credit enhancement through the issuance of an irrevocable, direct-pay letter of credit. This letter of credit is scheduled to expire in May of 2013. Refunding this issue will enhance stability in CHLA's debt structure by eliminating the inherent risks in bank-supported bonds.

Refunding of various bonds			***$190,700,000***
CSCDA Certificates of Participation Series 1999. Proceeds of the COPs were used to finance certain capital improvements and equipment acquisitions at the facilities owned and operated by CHLA and to pay the costs of delivering the COPs.		104,500,000	
CSCDA Variable Rate Revenue Bonds Series 2009. These bonds are currently held by Bank of America as a direct placement. Proceeds of Series 2009 bonds were used to refund a portion of the outstanding principal amount of 2008 Bonds, Series C and to pay certain costs of issuance.		32,000,000	
CHFFA Variable Rate Revenue Bonds Series 2010B. Proceeds of Series 2010B bonds were used to refund, on a current basis, all of the outstanding CSCDA Variable Rate Revenue Bonds (CHLA) Series 2008 A, B, and C and to pay certain costs of issuance.		54,200,000	
Debt Service Reserve Fund[(a)]			***20,000,000***
Financing Costs			***4,300,000***
Cost of Issuance	$2,150,000		
Underwriters Discount	2,150,000		
Total Uses of Funds			**$215,000,000**

(a) A debt service reserve fund has been included for the purposes of sizing the issue; the decision whether or not to retain the reserve fund will be made at the time of marketing.

II. PROPOSED COVENANTS, SECURITY AND DISCLOSURES:

CHLA is the sole member of the Obligated Group, and is obligated under the Master Indenture to make any and all payments on the CHFFA bonds. The bonds will be payable from payments made by CHLA as the borrower under the loan agreement with CHFFA.

After reviewing the Obligated Group's credit profile, including its current financial profile, prior bond transactions and considering what the market will support, CHLA, Public Financial Management, Inc., and the underwriters have concluded the covenants listed below align the interests of the Obligated Group, CHFFA, and the investors and therefore are consistent with covenants that have applied to the Obligated Group's prior bond transactions and that the Obligated Group's current financial situation does not suggest additional covenants should be required.

✓ **Unconditional Promise to Pay.** *Borrower agrees to pay Trustee all amounts required for principal, interest and other payments and expenses designated in the Loan Agreements. All Revenues[1] and any other amounts held in a designated fund or account under the respective Bond Indenture are pledged to secure the full payment of the bonds issued under that Bond Indenture.*

✓ **Pledge of Gross Revenues.** *Borrower pledges to deposit all revenues, income, receipts and money received into a Gross Revenue Fund over which the Master Trustee has control if payment default and is subject to a deposit account agreement.*

✓ **Negative Pledge Against Prior Liens.** *Borrower agrees not to create or assume any Lien upon Borrower's Property other than the Permitted Encumbrances, unless all Obligations under the Master Indenture are secured prior to any Indebtedness or other obligation secured by such Lien.*

✓ **Limited Permitted Encumbrances.** *Borrower is subject to a restrictive set of allowable Permitted Encumbrances it may incur pursuant to the Master Indenture.*

- CHLA's largest Permitted Encumbrance basket is up to 15% of book or fair market value of the Borrower's Property or 7% of unrestricted combined net assets.

✓ **Debt Service Coverage Requirement.** *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. This ratio can be based either on <u>annual</u> debt service for the next 12-months or <u>maximum</u> annual debt over the life of the bonds.*

- Borrower must maintain an Annual Debt Service Coverage Ratio of 1.10. A Consultant review is required if the ratio falls below 1.10. An Event of Default occurs if the ratio falls below 1.00 or if the Borrower fails to comply with the Consultant recommendations.

[1]Capitalized terms are defined in the Indenture.

- ✓ **Additional Debt Limitation.** *Borrower agrees not to incur additional Indebtedness unless authorized by the Master Indenture.*

- ✓ **Disposition of Cash and Property Limitations.** *Borrower agrees not to sell, lease or dispose of any property, plant or equipment or liquid assets unless authorized by the Master Indenture.*

- ✓ **Security Interest in Designated Property/Deed of Trust.**

  - *Borrower has granted a deed of trust and security agreement in its primary acute care facilities, including real estate and equipment, occupying approximately 13 acres, as security for payment of all Obligations issued under the Master Indenture.*

- ✓ **Comply with SEC Rule 15c2-12.** *The rule prohibits underwriters from underwriting municipal bond deals unless the issuer or Borrower contractually agrees to disclose designated financial and operating information to the marketplace during the life of the bonds and to report designated "enumerated events" such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc.*

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

Note:
Approval of this transaction, Resolution Number 380, is subject to the approval of a Tax Equity Fiscal Responsibility Act hearing pursuant to Section 147(f) of the Internal Revenue Code of 1986 scheduled on July 9, 2012 at 10:00am.

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III. FINANCIAL STATEMENTS AND ANALYSIS:

Children's Hospital Los Angeles
Consolidated Balance Sheet (in thousands)

	As of June 30, 2011	2010	2009
Assets:			
Current assets:			
Cash and cash equivalents	$ 12,685	$ 4,281	$ 11,430
Patient accounts receivable, net	60,119	76,485	74,629
Current portion of pledge receivable	24,578	16,361	26,325
Securities lent under securities lending program	-	17,796	18,332
Collateral received under securities lending program	-	18,161	18,805
Grant receivable	9,262	6,598	5,495
Receivables under government and state programs	-	-	4,841
Current portion of trustee - held funds	9,096	13,104	8,276
Restricted cash - proposition 3 funds	-	15,031	-
Other current asssets	41,213	28,349	22,198
Total current assets	156,953	196,166	190,331
Asset limited as to use:			
Investments	575,461	435,531	408,232
Unitrust investments	4,281	3,769	3,826
Trustee-held funds - net	4,444	8,724	13,205
Total assets limited as to use - net current portion	584,186	448,024	425,263
Pledges receivable, net of current portion and net of allowance	55,991	31,409	38,532
Other assets	30,286	25,506	23,602
Property, plant, and equipment	878,009	798,424	720,693
Total Assets	$ 1,705,425	$ 1,499,529	$ 1,398,421
Liabilities and Net Assets:			
Current liabilities:			
Accounts payable & accrued expenses	$ 46,243	$ 41,118	$ 42,218
Salaries, wages, and related liabilities	38,170	33,189	32,606
Payable under securities lending program	-	18,161	18,805
Proposition 3 - advances	-	15,031	-
Current portion of long-term debt	4,310	11,380	10,630
Payable under government and state programs	769	618	-
Deferred revenue	53,764	-	-
Total current liabilities	143,256	119,497	104,259
Long-term debt, net current portion	487,602	490,847	487,525
Liability under unitrust agreements	2,642	2,441	2,517
Interest rate swap	6,847	8,901	6,212
Other noncurrent liabilities	31,927	44,256	39,905
Total liabilities	672,274	665,942	640,418
Net assets:			
Unrestricted	735,914	579,153	495,895
Temporarily restricted	151,465	111,388	121,125
Permanently restricted	145,772	143,046	140,983
Total net assets	1,033,151	833,587	758,003
Total	$ 2,441,339	$ 2,078,682	$ 1,398,421

Financial Ratios:

	Proforma [a] FYE June 30, 2011	2011	2010	2009
Debt Service Coverage - Operating (x) [b]	4.12	4.23	1.46	1.26
Debt Service Coverage - Net (x)	5.34	5.48	2.03	(1.44)
Debt to Net Assets (x)	0.70	0.67	0.87	1.00
Operating margin (%)		10.74	(1.30)	(2.77)
Current Ratio (x)		1.10	1.64	1.83

[a] Recalculates 2011 audited results to include the impact of this proposed financing.

[b] Please note that CHLA's FY 2010 operating proforma debt service coverage ratio was 1.67x.

Children's Hospital Los Angeles
Consolidated Statement of Activities (in thousands)
(Unrestricted)

	For the Year Ended June 30, 2011	2010	2009
Revenue			
Net patient service revenue*	$ 570,312	$ 399,384	$ 392,537
Grants, contracts, and other	124,501	110,496	107,917
Unrestricted gifts and bequests	29,073	28,006	28,291
Investment income used for operations, research, and education	15,456	16,467	16,552
Net assets released from restrictions used for operations, research, and education	26,185	29,745	33,133
Total revenues	765,527	584,098	578,430
Expenses			
Salaries and employee benefits	337,823	312,449	309,027
Professional fees and purchased services	130,382	114,476	114,910
Supplies	93,681	83,386	73,457
Hospital fee program	37,853	-	-
Utilities	10,166	8,366	9,365
Rent	7,452	6,808	6,689
Insurance	3,059	3,096	3,638
Travel, dues, and subscriptions	4,085	3,912	4,366
Equipment	4,164	3,279	3,669
Other	13,211	12,533	13,347
Depreciation and amortization	23,583	29,495	40,655
Interest	17,856	13,914	15,322
Total operating expenses	683,315	591,714	594,445
Deficiency of revenues over expenses	**82,212**	**(7,616)**	**(16,015)**
Other gains (losses)			
Net realized and unrealized gain (loss) on investements held for trading	40,558	27,150	(65,647)
Other investment loss - net	(8,461)	(8,137)	(7,223)
Interest rate swap mark-to-market loss	2,054	(2,689)	(4,096)
Loss from bond defeasance	-	(2,672)	(4,580)
Other gain - net	2,417	439	170
(Deficiency) excess of revenue over expenses	36,568	14,091	(81,376)
Excess (defiency) of revenues over expenses and other gains (losses)	118,780	6,475	(97,391)
Proposition 3 - building construction revenue	21,834	75,679	-
Net assets released from restriction used for purchase of property and equipment	16,616	4,287	72,483
Transfer and other	(469)	(3,183)	(4,096)
Increase (decrease) in unrestricted net assets	$ 156,761	$ 83,258	$ (29,004)

*Net Patient Service Revenue for FYE June 30, 2011

Payors Source	Percent
Medi-Cal	47.9
Hospital Fee	26.2
Managed Care	23.3
Medicare	0.3
Other	2.3
Total	100.0

Financial Discussion - Statement of Activities (Income Statement)

CHLA's income statement appears to exhibit improvement in its operations over the review period from FY 2009 to FY 2011.

CHLA's operating margins show significant improvements over the review period from negative 2.8% in FY 2009 to 10.7% in FY 2011. According to CHLA, it realized steady improvements in its earnings over the review period driven by an increase in patient activity, better rates, and operational efficiencies. CHLA experienced a substantial increase in revenues, which increased from approximately $578 million in FY 2009 to $766 million in FY 2011 while expenses increased at a slower pace from approximately $594 million in FY 2009 to $683 million in FY 2011. The increase in revenues appears to be primarily due to an increase in net patient service revenue, which according to CHLA was primarily due to the Hospital Fee Program[1], slightly favorable payer mix and a decline in non-covered services.

Particular Facts to Note:

- Over the review period, operating expenses increased approximately 14% which was primarily due to increased staffing costs, high supply costs associated with limited number of patients, and research and education costs, which were offset by added revenue, according to CHLA. Also, in the fourth quarter of FY 2011, CHLA incurred approximately $9 million one-time opening costs for a new patient tower.

- According to CHLA, significant investment losses on investments held for trading and interest rate swaps in the amount of approximately $66 million and $4 million, respectively, were recorded in FY 2009 due to the general downturn of the economy, but conditions and results improved in the market in FY 2010 and FY 2011, which resulted in gains on investments in the amount of approximately $27 million and $41 million and interest rate swap earnings of negative $3 million and $2 million, in FY 2010 and FY 2011, respectively.

- Over the review period, as market conditions improved and construction cash demands declined, CHLA placed additional investment resources back into alternative investments after having divested out of them in FY 2009 when CHLA encountered the general economic downturn and had a need for additional cash resources to fund construction of a new patient tower.

- According to CHLA, it cannot essentially estimate the impact of health care reform on their patient load, as its payor mix already includes 72-75% Medi-Cal. According to CHLA, the change by Medi-Cal to a Diagnosis Related Group[2] based reimbursement system could have an adverse impact on CHLA. While there are no other known specific adverse conditions or market trends, with its high Medi-Cal share, CHLA relies on "special" funding sources such as Disproportionate Share Hospital Program[3] and the Hospital Fee Program[1] to offset low Medi-Cal reimbursement.

1 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.

2 Diagnosis Related Group System: The Department of Health Care Services (DCHS) is developing a new method of paying for hospital inpatient services. This system is a reimbursement mechanism where inpatient admissions are divided into categories called diagnosis-related groups (DRGs). Using this system, Medicare would pay hospitals a flat rate per case for inpatient hospital care so that efficient hospitals are rewarded for their efficiency and inefficient hospitals have an incentive to become more efficient.

3 Disproportionate Share Hospital Program: Because CHLA has served a disproportionately large volume of Medi-Cal and low-income patients from year to year, it has also received additional payments as a "disproportionate share" hospital ("DSH") under Medi-Cal funding statutes known as S.B. 855 and S.B. 1255, superseded July 1, 2005 by S.B. 1100.

Financial Discussion - Statement of Financial Position (Balance Sheet)

CHLA appears to have a strong financial position with a proforma debt service coverage ratio of 4.12x.

CHLA is moderately leveraged with a debt-to-unrestricted net assets ratio of .67x, and with this financing the pro-forma debt-to-unrestricted net assets ratio appears to increase slightly to .70x. CHLA maintains adequate liquidity with a current ratio that appears to be 1.10x. The existing operating debt service coverage ratio appears to be 4.23x, and with this financing the pro-forma operating debt service coverage ratio becomes 4.12x, which indicates that CHLA should be capable of repaying the proposed CHFFA Bonds.

Particular Facts to Note:

- For the fiscal years ending June 30, 2009, 2010 and 2011, the balance in Cash and Cash equivalents was $11.4 million, $4.3 million and $12.7 million, respectively. According to CHLA, the fluctuation in cash is due to CHLA's practice of maximizing its investment in long-term funds to achieve higher investments returns than can be earned on Cash and Cash Equivalents. During this three-year period, CHLA's Investments increased from $408 million in 2009 to $575 million in 2011.

- CHLA's property plant and equipment increased significantly from approximately $721 million in FY 2009 to $878 million in FY 2011. According to CHLA, this increase is primarily due to CHLA's completion of the construction of a new patient tower, which they moved into in mid-2011. The new patient tower was funded, in part, by Children's Hospital Program Proposition 3 funds, which started being disbursed in December 2009.

- During the review period, CHLA participated in securities lending transactions whereby CHLA lends a portion of its investments to various brokers in exchange for collateral for the securities loaned, and in FY 2011, there were no amounts outstanding under this agreement, as CHLA no longer participates in this program.

- CHLA's interim financials (unaudited) ending March 31, 2012 appear to confirm CHLA is likely capable of making its debt service payments as they come due.

IV. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Savings Pass Through):** CHLA properly completed and submitted the "Pass-Through Savings Certification" in addition to a narrative explaining how it intends to pass along savings.

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

- **Compliance with Seismic Regulations:** CHLA 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):** CHLA properly submitted documentation to the Authority, where applicable, demonstrating that each proposed project is not a "project" under that division.

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

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

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

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EXHIBIT 1

FINANCING TEAM

Children's Hospital Los Angeles

Trustee:	Bank of New York Mellon Trust Company
Issuer's Counsel:	Office of the Attorney General
Issuer's Financial Advisor:	Public Financial Management, Inc.
Issuer's Financial Analyst:	Macias Gini & O'Connell, LLP
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Borrower's Financial Advisor:	Hammond Hanlon Camp LLC
Borrower's Counsel:	Jones Day
Underwriters:	Citigroup Global Markets, Inc. Bank of America Merrill Lynch, Merrill Lynch, Pierce, Fenner & Smith, Inc.
Underwriters' Counsel:	Sidley Austin LLP
Auditor:	Deloitte & Touche LLP
Rating Agencies:	Standard & Poors Ratings Moody's Investors Service

EXHIBIT 2

UTILIZATION STATISTICS

The following table shows utilization statistics of CHLA for the fiscal years ended June 30, 2009, 2010 and 2011:

	As of June 30,		
	2009	**2010**	**2011**
Licensed Beds*	286	286	286
Admissions	10,920	11,269	11,458
Patient Days	89,297	87,509	87,985
Average Daily Census	244.6	239.8	241.1
Average Length of Stay (Days)	8.20	7.76	7.67
Inpatient Surgical Procedures	6,405	6,575	6,334
Outpatient Surgical Procedures	9,056	8,886	8,498
Emergency Room Visits	66,129	64,611	62,415
Outpatient Visits	221,785	269,706	246,395

* Effective capacity of 345 beds.

EXHIBIT 3

OUTSTANDING DEBT

(in thousands)

Bond Issue Name	**Original Issue Amount**	**Amount Outstanding[a] As of June 30, 2011**	**Estimated Amount Outstanding after Proposed Financing**
Existing Long-Term Debt:			
CHFFA, Series 2010 A	$135,515	$135,515	$135,515
CHFFA, Series 2010B	51,000	51,000	0
CSCDA[b], Series 2009A	30,000	30,000	0
CSCDA, Series 2007	170,000	170,502	170,502
CSCDA, Series 1999 Certificates of Participation	109,175	96,516	0
CSCDA, Series 1993 Certificates of Participation	103,780	8,943	8,943
Proposed New Debt:			
CHFFA, Series 2012		N/A	**215,000**
TOTAL DEBT		**$492,476**	**$529,960**

[a] Includes current-portion of long-term debt.
[b] CSCDA: California Statewide Community Development Authority

EXHIBIT 4

BACKGROUND, GOVERNANCE AND LICENSURE

Background

Children's Hospital Los Angeles ("CHLA"), incorporated in 1901, is a California nonprofit public benefit corporation. CHLA is classified as a 501(c)(3) organization by the Internal Revenue Service. CHLA's mission is to promote and advance the state of children's health, focusing on tertiary and quaternary specialties in patient care, research, and education. CHLA operates a 345-bed acute care hospital, approximately 31 hospital-based outpatient clinic programs and related facilities for the care and treatment of sick and injured children ranging in age from newborn through 21 years, with nearly 40% of the inpatient admissions being children under four years of age. CHLA's facilities serve as a referral resource for critically ill and seriously injured children in the Southwestern United States. Nearly two-thirds of the children admitted to CHLA's inpatient specialty care units are transferred from other hospitals. CHLA maintains 62 intensive care beds, composed of 24 pediatric intensive care beds, 24 cardiac intensive care beds and 14 intensive care bone marrow transplantation beds, in addition to 58 neonatal intensive care beds, that attract pediatric patients from throughout the United States. In addition, CHLA's 24-hour emergency room department has been designated by the County of Los Angeles as one of only two Level I pediatric trauma centers and the only one dedicated solely to children.

U.S. News & World Report has ranked Children's Hospital Los Angeles fifth on its Honor Roll of 12 U.S. children's hospitals with the highest scores in at least three specialties, U-T San Diego reports (Lavelle, U-T San Diego, 6/5/2012).

CHLA is the sole Member of the Obligated Group.

Corporate Governance

The Bylaws of CHLA state there are two classes of membership on the Board of Trustees: active and honorary. Honorary members are not counted in determining the maximum number of active members and do not have voting privileges. The Bylaws also state there will be no fewer than 60 nor more than 90 active members of the Board of Trustees of CHLA.

Active members have voting privileges and consist of those elected and those who are appointed by virtue of holding designated positions. Honorary members are not counted in determining the maximum number of active members and do not have voting privileges. Appointed members are the President and Chief Executive Officer, the Vice President of Surgery, the Vice President of Pediatrics, the Chairman of the Medical Staff, the Chief Nursing Officer, the Chair of the board of directors of Children's Hospital Los Angeles Medical Group, and the Dean of the Keck School of Medicine of the University of Southern California.

Licensure, Certification and Accreditation

CHLA receives accreditation from The Joint Commission. CHLA was last surveyed in June 2009 by The Joint Commission and received accreditation for the customary 39 month period. The joint Commission re-accreditation visit took place during the week of June 4, 2012. CHLA is licensed by the State of California Department of Public Health, Licensing and Certification Division, and is a member of, among other organizations, the California Hospital Association, the California Children's Hospital Association, and the Healthcare Association of Southern California.

RESOLUTION NO. 380

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY RELATING TO THE ISSUANCE OF REVENUE BONDS FOR CHILDREN'S HOSPITAL LOS ANGELES

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 operated by participating health institutions (including by reimbursing expenditures made or refinancing indebtedness incurred for such purpose);

WHEREAS, Children's Hospital Los Angeles (the "Borrower"), a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, has applied to the Authority for the issuance of one or more series of revenue bonds of the Authority on behalf of the Borrower, in an aggregate principal amount not to exceed $215,000,000 for the purposes of (1) making one or more loans to the Borrower to refinance all or any portion of the Borrower's indebtedness (A) repayment of which secures all or any portion of the California Statewide Communities Development Authority Certificates of Participation for Childrens Hospital Los Angeles, Series 1999 (the "Series 1999 Certificates"), all or any portion of the California Statewide Communities Development Authority Variable Rate Revenue Bonds (Childrens Hospital Los Angeles), Series 2009A (the "Series 2009 Bonds"), and all or any portion of the California Health Facilities Financing Authority Variable Rate Revenue Bonds (Childrens Hospital Los Angeles), Series 2010B (the "Series 2010 Bonds" and together with the Series 1999 Certificates and the Series 2009 Bonds, the "Prior Bonds") and (B) which was incurred in connection with projects (as defined in the Act) undertaken for health facilities (as defined in the Act) acquired or for working capital (as defined in the Act) and thereby refund all or any portion of the Prior Bonds on a current basis, (2) paying costs of issuance for the Bonds (defined below), and (3) funding a debt service reserve fund for the Bonds if desired by the Borrower;

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 (Children's Hospital Los Angeles), Series 2012" (the "Bonds"), in a total aggregate principal amount not to exceed $215,000,000 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 or indentures pursuant to which each series of the Bonds will be issued. The proceeds of the Bonds shall be used for any or all of the purposes set forth in the second WHEREAS paragraph above.

Section 2. The Treasurer of the State of California (the "Treasurer") is hereby authorized to enter into agreements to sell the Bonds in one or more series, on one or more sale dates at any time prior to the first anniversary of the adoption of this Resolution, at private sale, in such aggregate amount and in such series, at such prices and at such fixed and/or variable interest rate or rates as the Treasurer, with the advice and consent of the Borrower, may determine. The Bonds shall, at issuance, be rated at a minimum of "BBB" or equivalent by a nationally recognized rating agency. The Bonds or any series of them may, at the option of the Borrower, be secured or supported by a debt service reserve fund, by bond insurance, a credit facility or supported by one or more liquidity facilities meeting the terms of the indenture pursuant to which such Bonds will be issued.

Section 3. The following documents:

(1) the Loan Agreements relating to the Bonds (collectively, the "Loan Agreements"), between the Authority and the Borrower;

(2) the Bond Indentures relating to the Bonds (collectively, the "Indentures"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Trustee");

(3) the Bond Purchase Contracts, including the appendices thereto, relating to the Bonds (collectively, the "Purchase Contracts"), among either or both of Merrill Lynch, Pierce, Fenner & Smith, Incorporated and Citigroup Global Markets Inc. (the "Underwriter(s)"), the Treasurer and the Authority and approved by the Borrower; and

(4) the preliminary official statements relating to the Bonds (collectively, the "Preliminary Official Statements")

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 the terms of a debt service reserve fund, bond insurance, credit facility or liquidity facility, if any, for any series of Bonds) 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 Loan Agreements, the Indentures and the Purchase Contracts and by delivery thereof in the case of the Preliminary Official Statements.

Section 4. The Authority specifically finds and declares that the findings of the Authority set forth in the Loan Agreements are true and correct.

Section 5. The dated dates, maturity dates (not exceeding 40 years from the respective date of issue), interest rates, methods of determining the interest rate from time to time, interest payment dates, denominations, forms, registration privileges or requirements, place or places of payment, terms of tender, terms of redemption and other terms of the Bonds, including provisions for a debt service reserve fund, bond insurance, credit facility or liquidity facility, as applicable, from time to time, shall be as provided in the respective Indentures, as finally executed.

Section 6. The Underwriter(s) are hereby authorized to distribute preliminary official statements for each issue or series of the Bonds to be marketed to persons who may be interested in the purchase of such Bonds offered in such issuance. The Underwriters are hereby directed to deliver copies of appropriate final official statements (the "Official Statements") to all actual purchasers of the Bonds.

Section 7. The Bonds, when executed, 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 direction of the Underwriter(s), or either of them (as appropriate) 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 such Underwriter(s), 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 Indentures, the Loan Agreements, the Bond Purchase Contracts and the Official Statements. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: (a) certifications; (b) tax certificates and agreements; and (c) any agreement or commitment letter with respect to the provisions of bond insurance, a letter of credit, a credit facility, a liquidity facility and/or a surety bond, if applicable, for the Bonds.

Section 9. Orrick, Herrington & Sutcliffe, LLP, bond counsel to the Authority, and the trustee for the Prior Bonds, are each hereby authorized, on behalf of the Authority, to subscribe for United States Treasury Securities – State and Local Government Series or to solicit bids for debt securities, which may be used to defease or redeem any or all of such Prior Bonds.

Section 10. The provisions of the Authority's Resolution No. 2011-15 apply to the documents and actions approved in this Resolution.

Section 11. Notwithstanding anything to the contrary in this Resolution, no documents referenced in this Resolution may be executed and delivered until the Authority has held the hearing pursuant to Section 147(f) of the Internal Revenue Code of 1986, if required by said Section 147(f), and the Treasurer of the State of California has approved the issuance of the Bonds as may be required thereby.

Section 12. 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 13. This Resolution shall take effect from and after the date of adoption.

Date of Adoption: ________________________