CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	St. Joseph Health System and Affiliates ("SJHS") 3345 Michelson Dr., Suite 1000 Irvine, CA 92612 Orange County	**Amount Requested:** **Requested Loan Term:** **Authority Meeting Date:** **Resolution Number:**	$850,000,000 up to 40 years May 30, 2013 391

Project Sites: See Exhibit 1

Facility Types: Acute care, skilled nursing, psychiatric, substance abuse, rehabilitation, outpatient services, home health, and hospice.

Eligibility: Government Code section 15432(d) (1), (2), and (3)

Prior Borrower: Yes (date of last CHFFA issue, 2011).

SJHS Obligated Group: The SJHS Obligated Group is comprised of SJHS, ten other affiliated California nonprofit public benefit corporations, and four other affiliated Texas nonprofit corporations.

Background: SJHS, a nonprofit public benefit corporation headquartered in Irvine, California, was incorporated in 1981 to become the sole corporate member and "parent" organization of the various affiliated health care entities. SJHS manages and operates 14 acute care hospitals with 3,455 licensed beds that also provide associated ancillary, skilled nursing, psychiatric, outpatient services, substance abuse, rehabilitation, home health, hospice and other health care related services. The SJHS Obligated Group's total number of outpatient visits was approximately 2.3 million for FY 2012.

Recently, SJHS entered into an affiliation agreement with Hoag Memorial Hospital Presbyterian ("Hoag"), and upon the issuance of the 2013 bonds, Hoag will become a member of the SJHS Obligated Group. Hoag is a nonprofit, regional health care delivery network in Newport Beach, California, that treats nearly 25,000 inpatients and more than 370,000 outpatients annually and consists of two acute care hospitals, seven health centers, and five urgent care centers. Hoag offers a comprehensive blend of health care services that includes five Hoag-branded institutes providing specialized services in the following areas: cancer, heart and vascular, neurosciences, women's health, and orthopedics. (Please see Exhibits 6 and 7 for more details)

Use of Proceeds: The bond proceeds will be used for the purpose of refinancing prior debt held by Hoag through the refunding of outstanding bonds issued by the City of Newport Beach and for the purpose of financing new capital projects at five SJHS acute care hospital facilities.

Type of Issue: Negotiated public offering with fixed rate bonds (expected minimum denominations of $5,000).

Expected Credit Ratings: AA-/ AA-/ A1; S&P/ Fitch/ Moody's

Financing Team: *See Exhibit 2 to identify possible conflicts of interest*

Financial Overview: During the review period, the SJHS Obligated Group's income statement appears to exhibit solid operating results with continued revenue growth. The SJHS Obligated Group including the addition of Hoag appears to have a solid financial position with a proforma debt service coverage ratio of 4.38x.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
Par amount of bonds	$ 850,000,000	Refunding	$ 641,500,000
		Project fund	200,000,000
		Financing costs	8,500,000
Total Estimated Sources	$ 850,000,000	**Total Estimated Uses**	$ 850,000,000

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

Staff Recommendation: Staff recommends the Authority approve Resolution Number 391 in an amount not to exceed $850,000,000 subject to the conditions in the resolution, including a bond rating of at least investment grade by a nationally recognized rating agency. 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:

SJHS' overall strategic plan is to address seismic compliance, optimize its facilities and meet the growing demand in medical services. SJHS recently entered into an affiliation agreement with Hoag as a means to extend its mission, improve coordination of the delivery of health care to all members of the communities it serves, and assure a system of highly-connected, quality services.

SJHS seeks to issue $850 million in fixed rate revenue bonds for the purposes of refinancing the debt of a new affiliate and Obligated Group Member-Hoag and financing new capital projects at five SJHS acute care hospital facilities as outlined in more detail below. With the joining of Hoag as an Obligated Group member of SJHS, all of Hoag's outstanding bonds will be refinanced and secured under the SJHS Master Indenture.

Refunding.. $641,500,000

A portion of the bond proceeds will be used to refund on a current basis the bonds outlined below.

City of Newport Beach Refunding Revenue Bonds (Hoag Memorial Hospital Presbyterian) Series 2008 C, D, E and F

The 2008 C, D, E and F bonds were used to refund the City of Newport Beach Insured Revenue Bonds (Hoag Memorial Hospital Presbyterian) Series 2005 A and B and repay a draw on a line of credit used by Hoag to refund the Series 2005 C bonds and to refund the City of Newport Beach Revenue Bonds (Hoag Memorial Hospital Presbyterian) Series 2007 A, B and C and pay the costs of issuance. The Series 2005 A, B and C and the Series 2007 A, B, and C were used to finance and refinance capital improvements at the facilities owned and operated by Hoag, refund prior Hoag debt and pay the associated costs of issuance.

City of Newport Beach Refunding Revenue Bonds (Hoag Memorial Hospital Presbyterian) Series 2009 A, D and E

The 2009 A, D and E bonds were used to finance the acquisition and construction of certain additions and improvements to, and equipment for, a 484-licensed-bed acute care hospital and related facilities owned and/or operated by Hoag and located at and about the campus known as One Hoag Dr., Newport Beach, CA., or to equip facilities located at 500-540 Superior Ave., Newport Beach, CA and to refund City of Newport Beach Insured Revenue Bonds (Hoag Memorial Hospital Presbyterian) Series 2007 D and City of Newport Beach Refunding Revenue Bonds (Hoag Memorial Hospital Presbyterian) Series 2008 A and B.

City of Newport Beach Revenue Bonds (Hoag Memorial Hospital Presbyterian) Series 2011 A

The 2011 A bonds were used to finance the acquisition and construction of certain additions and improvements to, and equipment for, the 484-licensed-bed acute care hospital and related facilities owned and/or operated by Hoag and located at and about the campus known as One Hoag Dr., Newport beach, CA., or to equip facilities located at 500-540 Superior Ave., Newport Beach, CA. and to refund the City of Newport Beach Revenue Bonds (Hoag Memorial Hospital Presbyterian) Series 2009 B and C.

Project Fund **..** ***$200,000,000***

A portion of the bond proceeds will be used to finance five capital projects that SJHS is in the midst of completing, and of the $200 million, approximately $71 million will be used for reimbursements.

St. Joseph Hospital of Orange

SJHS plans to finance seismic retrofit activities occurring at its existing structures throughout the main campus located in Orange (St. Joseph Hospital, a 463-licensed-bed acute care hospital facility) and construct and equip its fourth Floor Tower renovations. This project was substantially completed in March 2013.

St. Jude Medical Center

SJHS plans to finance the construction and equipping of a catheterization laboratory and the construction and equipping of a 216,000 square foot replacement hospital tower and central plant on the main campus, St. Jude Medical Center, a 329-licensed-bed acute care hospital facility with skilled nursing and rehabilitation facilities. This project is expected to be substantially complete by September 2014.

St. Mary Medical Center

SJHS plans to finance the construction and equipping of an interior refurbishment of the existing structures throughout the main campus at St. Mary Medical Center, a 212-licensed-bed acute care hospital facility, and the construction and equipping of a new ambulatory care center, and a new acute care hospital and ambulatory care center. This project is expected to be complete by February 2017.

Santa Rosa Memorial Hospital

SJHS plans to finance seismic retrofit activities occurring throughout the main campus at Santa Rosa Memorial Hospital, a 338-licensed bed acute care hospital facility and the construction and equipping of the Emergency Department renovation. This project is expected to be substantially complete by June 2014.

St. Joseph Hospital Of Eureka

SJHS plans to finance the construction and equipping of a 100,000 square foot acute care medical tower on the campus of St. Joseph Hospital, a 153-licensed-bed acute care hospital facility. This project was substantially completed in January 2013.

Financing Costs **..** ***8,500,000***

- *Estimated cost of issuance.......................... $4,250,000*
- *Estimated underwriter's discount............... 4,250,000*

Total Estimated Uses of Funds **..** ***$850,000,000***

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

SJHS is a Member of an Obligated Group, which currently consists of itself (as the parent organization) and 14 other Members. Ten Members are California nonprofit public benefit corporations and four Members are Texas nonprofit corporations. Each Member is jointly and severally obligated under a master trust indenture ("Existing Master Indenture") with respect to payments on CHFFA bonds and other parity debt secured by the Master Indenture. Concurrently with the issuance of the bonds: (i) one California nonprofit public benefit corporation will exit the Obligated Group and one will join the Obligated Group, (ii) SJHS is proposing certain amendments to the Existing Master Indenture (the "2013 Amendments") that do not require consent of any bondholders, but will not be effective until the consent of certain credit enhancers is obtained and SJHS demonstrates compliance with certain tests set forth in the Existing Master Indenture and (iii) SJHS is proposing that the Existing Master Indenture be amended and restated in its entirety by an Amended and Restated Master Indenture (the "Restated Master Indenture"). The Restated Master Indenture will not be effective at the time of issuance of the Bonds, but the purchasers of the Bonds will be consenting to such amendment and restatement. Upon the issuance of the 2013 Bonds, Hoag (a new affiliate of SJHS) will become a Member of the SJHS Obligated Group and St. Joseph Homecare Network (non-material member) will simultaneously withdraw from the SJHS Obligated Group. SJHS will be the borrower under the CHFFA Loan Agreement and will act on behalf of the other SJHS Obligated Group Members. All covenants below are applicable to each Member of the SJHS Obligated Group. The Master Indenture has protective tests limiting the addition or withdrawal of Members if the change would significantly reduce the SJHS Obligated Group's financial strength.

After reviewing the SJHS Obligated Group's current finances and current market conditions, SJHS, Public Financial Management, Inc. and the underwriter have concluded that the below listed covenants are appropriate for this transaction. The team notes these covenants are consistent with prior SJHS bond transactions and the SJHS Obligated Group's current financial situation does not require any additional covenants.

<u>The following covenants are applicable to this transaction</u>:

Unconditional Promise to Pay. *SJHS 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 certain payments by SJHS under the Loan Agreement and payments by the Obligated Group under the master indenture obligation) 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. *While such a pledge is not being directly given in this transaction, such a pledge was given in connection with the 2009 CHFFA bond issue for SJHS. Therefore, the bondholders in this transaction will benefit from such a pledge until 2019, or until the 2009 CHFFA bonds are advance refunded prior thereto. The pledge requires that each Member of the Obligated Group 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.*

Limitation on Creation of Liens. *Each Obligated Group Member agrees not to create or suffer to exist any Lien upon its respective Property or revenues, other than Permitted Liens, as set forth in the Existing Master Indenture. The Obligated Group has proposed amending the definition of Permitted Liens pursuant to the 2013 Amendments and the Restated Master Indenture.*

Limitation on Incurrence of Additional Indebtedness. *Each Obligated Group Member is subject to a restrictive set of allowable additional indebtedness that it may incur pursuant to the Existing Master Indenture. Pursuant to the 2013 Amendments and the Restated Master Indenture, the Obligated Group has proposed eliminating the limitations on incurrence of additional indebtedness.*

Limitation on Guaranties. *Each Obligated Group Member agrees not to become liable on any Guaranty, other than with respect to the Existing Master Indenture, unless in compliance with certain limitations in the Existing Master Indenture. Pursuant to the 2013 Amendments and the Restated Master Indenture, the Obligated Group has proposed eliminating the limitations on guaranties.*

Debt Service Coverage Requirement. *The Existing Master Indenture requires SJHS to maintain an Historical Debt Service Coverage Ratio of at least equal to 1.10x in each fiscal year. In the Existing Master Indenture, that ratio is defined as the ratio determined by dividing aggregate income available for debt service for that period by the debt service requirements for such period. In the Restated Master Indenture, the Obligated Group has proposed changes to the way the Historical Debt Service Coverage Ratio is calculated.*

Sale, Lease or Other Disposition of Property. *Each Obligated Group Member agrees to certain limitations set forth in the Existing Master Indenture and the Restated Master Indenture regarding disposition of its Property in any fiscal year.*

Consolidation, Merger Sale or Conveyance. *Each Obligated Group Member is subject to conditions and restrictions in the Existing Master Indenture and the Restated Master Indenture regarding merger, consolidation, sale or conveyance.*

Compliance with SEC Rule 15c2-12. *SJHS, on behalf of the Obligated Group, will take such action as is necessary to assist the underwriter in complying with SEC Rule 15c2-12. SJHS 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 "listed events" such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc.*

Staff and PFM have reviewed the entirety of this financing package and find it to be acceptable, including all of the proposed adjustments to the Master Trust Indenture.

III. FINANCIAL STATEMENTS AND ANALYSIS

Two sets of financial statements and analyses are presented for both SJHS and Hoag for fiscal years 2010 through 2012 to account for the new affiliation agreement between SJHS and Hoag that was consummated effective March 2013. Please note that the Obligated Groups' audited financial statements for both SJHS and Hoag were analyzed in this section. Upon the issuance of the 2013 bonds, Hoag (a new affiliate of SJHS) will become a Member of the SJHS Obligated Group. The Hoag Obligated Group is currently comprised of Hoag Memorial Hospital Presbyterian and Newport Healthcare Center, LLC. The Hoag Obligated Group will no longer exist and the Newport Healthcare Center, LLC will not be a part of the SJHS Obligated Group.

ST. JOSEPH HEALTH SYSTEM OBLIGATED GROUP

St. Joseph Health System Obligated Group
Combined Statements of Operation
(in $000's)

	For the Year Ended June 30,		
	2012	**2011**	**2010**
Revenues			
Net patient service, net of provision for doubtful accounts[a]	$ 3,279,120	$ 3,241,069	$ 3,046,920
Premium	141,604	133,743	128,073
Other	90,686	69,652	61,097
Total revenues	3,511,410	3,444,464	3,236,090
Expenses:			
Compensation and benefits	1,699,196	1,654,457	1,559,308
Supplies and other	795,335	838,851	713,594
Professional fees and purchased services	555,102	503,560	493,177
Depreciation and amortization	179,838	176,701	179,517
Interest	100,653	59,638	94,500
Total Expenses	3,330,124	3,233,207	3,040,096
Operating income	181,286	211,257	195,994
Nonoperating (losses) gains, net	5,903	179,874	97,186
Excess (deficiency) of revenues over expenses attributable to controlling interest	$ 187,189	$ 391,131	$ 293,180

[a] **Net patient service**

Payor Source	**Percent**
Medicare	41.3
Medi-Cal/ Medicaid	12.8
Other Managed Care	33.8
Other Payers	12.1
Total	**100**

St. Joseph Health System Obligated Group
Combined Balance Sheets
(in $000's)

	As of June 30,		
	2012	**2011**	**2010**
Assets			
Current assets:			
Cash and equivalents	$ 99,350	$ 175,860	$ 218,198
Short-term marketable securities	686,296	621,972	481,733
Patient account receivable, less allowance for doubtful accounts	437,211	407,831	411,783
Inventories and others	158,720	121,666	89,916
Total current assets	1,381,577	1,327,329	1,201,630
Long-term marketable securities	824,984	729,293	543,532
Assets limited as to use			
Board designated	147,106	136,128	122,129
Held in trust	189,967	63,282	146,060
Total assets limited as to use	337,073	199,410	268,189
Property and equipment, net	2,319,963	2,173,962	2,090,123
Investments and other	92,324	76,261	74,651
Collateral held for swap counterparty	40,402	10,339	29,010
Notes receivable	4,711	5,393	7,236
Deferred financing costs, net	20,781	20,357	21,516
Goodwill and other intangibles, net accumulated amortization	15,527	16,066	22,057
	173,745	128,416	154,470
Total assets	$ 5,037,342	$ 4,558,410	$ 4,257,944
Liabilities and net assets			
Current liabilities:			
Accounts payable	$ 107,395	$ 111,975	$ 131,412
Accrued compensation and related liabilities	211,376	292,351	273,705
Accrued liabilities	194,066	148,152	96,752
Payable to third-party payors	62,005	73,920	59,093
Current maturities of long-term debt	39,098	50,544	114,750
Total current liabilities	613,940	676,942	675,712
Interest rate swaps	72,629	44,964	65,194
Other liabilities	144,710	92,538	59,817
Notes payable and interest due (from) to affiliates	(116,969)	(105,834)	(72,643)
Long-term debt, less current maturities	1,630,227	1,317,540	1,333,426
Total liabilities	2,344,537	2,026,150	2,061,506
Net assets			
Controlling interest	2,692,805	2,532,260	2,196,438
Total liabilities and net assets	$ 5,037,342	$ 4,558,410	$ 4,257,944

Financial Ratios:	**Proforma (a) FYE June 2012**			
Debt Service Coverage of Operating Income (x) (b)	4.38	4.44	4.73	4.67
Debt Service Coverage of Net Income (x) (b)	5.12	4.61	4.85	4.63
Debt to Net Assets (x)	0.61	0.62	0.54	0.66
Margin (%)		5.16	6.13	6.06
Current Ratio (x)		2.25	1.96	1.78

(a) Recalculates FYE June 2012 audited results to include the impact of this proposed financing plus the addition of Hoag to the Obligated Group.

(b) Debt service calculations utilize Maximum Annual Debt Service payments that are included in the continuing disclosure annual report filed pursuant to Securities Exchange Commission Rule on continuing disclosure.

Financial Discussion – Statement of Activities (SJHS Obligated Group Income Statement)

During the review period, the SJHS Obligated Group's income statement appears to exhibit solid operating results with continued revenue growth.

The SJHS Obligated Group's solid operating margins are 6.06%, 6.13% and 5.16% in FY 2010, FY 2011 and FY 2012, respectively. Total revenue appears to have grown by 8.5% from $3.2 billion in FY 2010 to $3.5 billion in FY 2012. According to SJHS, the increase in revenue can be attributed to an increase in net patient revenues, which grew approximately 7.6% from $3.0 billion in FY 2010 to $3.3 billion in FY 2012. The increase in net patient service revenue, which accounts for 93% of total revenues, appears to be mostly attributed to payments received from the California Hospital Fee Program[1], continued positive collections from focused denial management practices[2], and an increase in outpatient visits. Outpatient visits appear to have grown 6.9% over the review period from 2.1 million in FY 2010 to 2.3 million in FY 2012.

Particular Facts to Note:

- According to SJHS, total operating expenses increased by approximately 9.5% from $3.0 billion in FY 2010 to $3.3 billion in FY 2012, which was mainly attributed to payments made in conjunction with the California Hospital Fee Program and a significant change in Professional Fees and Purchased Services. These expenses increased because of non-recurring investments in system-wide development and implementation of initiatives to reduce long-term operating costs while maintaining quality patient care, growth of the foundation medical group, and strategic recruitment of physician specialties in certain communities.

- SJHS reports that the "supplies and other" category increased from approximately $714 million in FY 2010 to $795 million in FY 2010 mainly due to the quality assurance fees and pledges for the California Hospital Fee Program.

- According to SJHS, the variation in interest expense was attributed to fluctuations in the interest rate swap market and the issuance of additional tax-exempt bonds in FY 2012.

- According to SJHS, compensation and benefits increased by approximately 9.0% from $1.6 billion in FY 2010 to $1.7 billion in FY 2012 mainly due to increases in employee pay that had been frozen due to the economy in FY 2010.

- Non-operating gains fluctuated from approximately $97 million, to $180 million, and to $6 million in FY 2010, 2011, 2012, respectively. According to SJHS, this fluctuation can be primarily attributed to investment performance.

[1] Hospital Fee Program was established in 2009 and imposed a provider fee on certain California general acute care hospitals that, combined with federal matching funds, are used to provide supplemental payments to certain hospitals.

[2] Focused denial management practices include organizing a new LLC to manage payer denials by identifying and globally addressing trends and standardizing best practices across the system.

- SJHS has a plan in place to approach the changing landscape because of healthcare reform. SJHS has implemented a long-range plan to improve its operating cost efficiency while maintaining high quality of care standards, and enhance utilization of electronic health records and patient data. All geographic regions are included within the scope of the multi-year plan and will participate in various initiatives to achieve these goals.

Financial Discussion – Statement of Financial Position (SJHS Obligated Group's Balance Sheet)

The SJHS Obligated Group, including the addition of Hoag, appears to have a solid financial position with an operating proforma debt service coverage ratio of 4.38x.

The SJHS Obligated Group's balance sheet appears to grow with total net assets increasing from $2.2 billion in FY 2010 to $2.7 billion in FY 2012, an increase of approximately 22.6%. SJHS attributes the increase to strong operating performance and investment gains. The operating debt service coverage ratio for FY 2012 appears to be a solid 4.44x, and with the proposed financing and the addition of Hoag, the proforma operating debt service coverage ratio will remain solid at 4.38x, indicating the SJHS Obligated Group can likely manage the additional debt.

Particular Facts to Note:

- According to SJHS, total assets increased by approximately 18.3% from $4.3 billion in FY 2010 to $5.0 billion in FY 2012 primarily due to the increase in short and long-term securities and property and equipment.

- According to SJHS, cash and equivalents significantly decreased from $218 million in FY 2010 to $99 million in FY 2012 while short-term and long-term marketable securities significantly increased due to the timing of various investment strategies.

- According to SJHS, property and equipment increased by approximately 11.0% from $2.1 billion in FY 2010 to $2.3 billion in FY 2012 because of construction projects for expanding operating needs as well as seismic compliance.

HOAG MEMORIAL HOSPITAL PRESBYTERIAN OBLIGATED GROUP

Hoag Obligated Group
Combined Statement of Operations
(in $000's)

	For the Year Ended September 30, 2012	2011	2010
Unrestricted operating revenues			
Net patient service revenues	$ 671,791	$ 666,562	646,180
Capitation	92,104	80,426	75,109
Other	66,182	58,967	22,585
Total unrestricted operating revenues	830,077	805,955	743,874
Operating expenses			
Salaries and employee benefits	355,932	384,012	346,967
Professional fees	19,157	16,470	13,743
Supplies	115,240	125,600	133,890
Utilities	7,743	8,947	8,093
Insurance	2,251	5,003	2,267
Lease rental	20,800	20,851	7,633
Other	61,877	58,990	28,874
Purchased services	110,031	99,626	88,975
Depreciation and amortization	73,031	66,053	55,322
Interest related to interest rate swap agreement	7,148	7,162	7,016
Restructuring costs[a]	-	7,124	-
Interest	13,883	13,288	10,247
Total operating expenses	787,093	813,126	703,027
Income (loss) from operations	42,984	(7,171)	40,847
Other income (expense)			
Investment income, net	87,424	12,710	68,586
Change in fair value of interest rate swap	(1,647)	(9,720)	(14,969)
Other non-operating gains (losses)	7,482	462	(28,367)
Other (expense) income, net	93,259	3,452	25,250
Excess (deficiency) of revenue over expenses attributable to controlling interest	136,243	(3,719)	66,097
Cumulative effect of loss on goodwill impairment upon adoption of new accounting principle	-	(3,126)	-
Transfers to (from) affiliates	24,159	6,932	2,920
Appreciation in assets contributed to joint venture	-	-	796
Appreciation in value of investment in joint venture	-	-	1,532
Increase in unrestricted net assets	$ 160,402	$ 87	$ 71,345

[a] Late in fiscal year 2011, the Hospital incurred restructuring costs.The restructuring costs included severance packages provided to employees separated from service, incentives paid to employees accepting early retirement packages, and accrued salary, wages, and benefits for employees given notice in September pursuant to their actual separation date in November. The restructuring plan has been fully implemented.

Gross Patient Revenue

Payor Source	Percent
Medicare	36.1
PPO	24.1
HMO	28.4
Medi-Cal &MSI	6.4
Other	5
Total	**100**

Hoag Obligated Group
Combined Balance Sheets
(in $000's)

	As of September 30, 2012	2011	2010
Assets			
Current assets:			
Cash and equivalents	$ 173,891	$ 88,265	$ 69,272
Patient accounst receivable, net of allowance for doubtful accounts	75,898	83,627	82,468
Investments	9,032	7,306	12,102
Board-designated investments for short-term cash needs	234,916	241,390	259,688
Other receivables	27,920	16,659	8,014
Other current assets	17,349	22,132	13,322
Due from related entities	11,771	3,396	1,455
Total current assets	550,777	462,775	446,321
Long-term investments for			
Board-designated investments for capital improvements	739,645	658,115	648,535
Under indenture agreement held by trustee	52	9,877	65
Cash collateral held by swap counter party	-	26,211	28,835
Malpractice reserves	15,802	14,232	14,356
Total long-term investments	755,499	708,435	691,791
Noncurrent donations and bequests pledged, net of allowance for doubtful accounts and unamortized discount	-	6,902	5,302
Property and equipment net	891,989	856,774	837,376
Intangibles net	-	-	1,892
Other assets	72,025	68,586	54,336
Total assets	$ 2,270,290	$ 2,103,472	$ 2,037,018
Liabilities and net assets			
Current liabilities:			
Accounts payable	$ 41,235	$ 38,193	$ 45,868
Accrued expenses			
Payroll and payroll taxes	23,963	14,320	17,184
Employee benefits	45,887	43,149	42,560
Other	20,622	31,061	7,904
Accrued liabilities under capitated contracts	25,877	19,476	17,457
Estimated third-party payor settlements	-	-	538
Current portion of bonds payable	152,340	70,095	143,305
Total current liabilities	309,924	216,294	274,816
Self-insurance liabilities	30,033	29,980	18,243
Bonds payable, less current portion	411,712	495,338	392,261
Interest rate swaps	55,702	54,055	44,335
Other long term liabilities	16,639	14,712	15,957
Total liabilities	824,010	810,379	745,612
Net assets:			
Unrestricted, controlling interest	1,446,280	1,285,984	1,285,897
Temporarily restricted	-	7,109	5,509
Total net assets	1,446,280	1,293,093	1,291,406
Total liabilities and net assets	$ 2,270,290	$ 2,103,472	$ 2,037,018
Financial Ratios:			
Debt Service Coverage of Operating Income (x) [a]	3.94	2.19	3.23
Debt Service Coverage of Net Income (x) [a]	7.50	2.41	4.15
Debt to Net Assets (x)	0.39	0.44	0.41
Margin (%)	5.18	(0.89)	5.49
Current Ratio (x)	1.78	2.14	1.62

(a) Debt service calculations utilize Maximum Annual Debt Service payments that are included in the continuing disclosure annual report filed pursuant to Securities Exchange Commission Rule on continuing disclosure.

Financial Discussion – Statement of Activities (Hoag Obligated Group's Income Statement)

The Hoag Obligated Group's income statement appears to have recovered its solid operating results in FY 2012 despite operating losses in FY 2011.

The Hoag Obligated Group's operating margins are 5.49%, negative 0.89%, and 5.18% in FY 2010, FY 2011 and FY 2012, respectively. Total revenue appears to have grown by 11.6% from approximately $744 million in FY 2010 to $830 million in FY 2012. According to the Hoag Obligated Group, the increase in revenue can be primarily attributed to rate increases in commercial insurance plans and an increase in outpatient activity in FY 2012 from the opening of its acute care facility in Irvine. In FY 2011, the Hoag Obligated Group experienced an operating loss primarily due to expenses increasing at a faster pace than revenues especially salaries and employee benefits, lease rental expenses, and weak investment performance. In response to the experienced losses, the Hoag Obligated Group proactively took cost reduction measures through its restructuring costs of approximately $7.1 million in FY 2011.

Particular Facts to Note:

- According to the Hoag Obligated Group, salaries and employee benefits increased by approximately 2.6% from $347 million in FY 2010 to $356 million in FY 2012 primarily due to routine wage increases and start-up costs associated with the opening of the acute care facility in Irvine in FY 2011.

- According to the Hoag Obligated Group, lease rental expense increased significantly in FY 2011 to 20.9 million from $7.6 million in FY 2010 because Hoag entered into a 15-year term lease to operate an acute care hospital located in Irvine, California that commenced in February 2009. The lease allows for a period of rent abatement followed by reduced rent during the initial 12 months of lease.

- According to the Hoag Obligated Group, investment income significantly declined to $12.7 million in FY 2011 from $68.6 million in FY 2010 due to the general market conditions, but was able to improve and recover in FY 2012 due to strong investment performance.

- The Hoag Obligated Group's management expects competitive pressures from competing health care delivery systems to intensify in the future and elements of national healthcare reform to increase the importance of strategic alliances along the continuum of care within relevant service areas beyond an inpatient service model.

Financial Discussion – Statement of Financial Position (The Hoag Obligated Group's Balance Sheet)

The Hoag Obligated Group appears to have a solid financial position with a current operating debt service coverage ratio of 3.94x.

The Hoag Obligated Group's balance sheet appears to continue growing with total net assets increasing from $1.3 billion in FY 2010 to $1.4 billion in FY 2012, an increase of approximately 12.0%. The Hoag Obligated Group attributes the increase to improved operating performance and strong investment performance in FY 2012. The operating debt service coverage ratio for FY 2012 appears to be a solid 3.94x.

Particular Facts to Note:

- According to the Hoag Obligated Group, total assets appear to have increased by approximately 11.5% from $2.0 billion in FY 2010 to $2.3 billion in FY 2012 primarily due to an increase in cash, long-term investments and property and equipment.

- According to the Hoag Obligated Group, cash significantly increased over the review period from approximately $70 million in FY 2010 to $174 million in FY 2012, which can be attributed to improved operations and favorable investment outcomes.

- According to the Hoag Obligated Group, property and equipment increased by approximately 6.5% from $837 million in FY 2010 to $892 million in FY 2012 because of construction projects.

- According to the Hoag Obligated Group, bonds payable increased in FY 2011 to approximately $495 million from $392 million in FY 2010 due to the issuance of bonds in 2011.

IV. DUE DILIGENCE:

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

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

  SJHS' community benefit policy is to accept all patients regardless of their ability to pay while at the same time sponsoring numerous health-care related programs which include medical vans, health and dental clinics, prenatal programs, health referral services, and bilingual health education for the general community and the medically underserved population in the area it serves. Seventy-five cents of each dollar SJHS receives from each local facility is returned directly to the facility it came from to support local community benefit initiatives and programs as identified by each local hospital needs assessment. SJHS' expenditures for community benefits in the FY 2012 totaled over $321 million.

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

- **Compliance with Seismic Regulations:** SJHS 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):** SJHS properly submitted relevant documentation addressing CEQA.

- **Religious Affiliation Due Diligence:** SJHS properly completed and submitted relevant documentation to meet the religious due diligence requirement.

- **Legal Review:** SJHS properly completed and submitted relevant documentation for the Authority's Legal Questionnaire.

- **Iran Contracting Act Certificate:** SJHS and the underwriter properly submitted the certificate to the Authority.

EXHIBIT 1

PROJECT SITES

NEW MONEY PROJECTS

PROJECT	PROJECT ADDRESS
St. Joseph Hospital of Orange	1100 West Stewart Drive, Orange, CA 92868
St. Joseph Hospital of Eureka	2700 Dolbeer Street, Eureka, CA 95501
Santa Rosa Memorial Hospital	1165 Montgomery Dr., Santa Rosa, CA 94558
St. Jude Hospital Medical Center	101 E. Valencia Mesa Dr., Fullerton, CA 92835
St. Mary Medical Center	18300 Highway 18, Apple Valley, CA 92307; Amargosa Road and Smoketree Road in Victorville, CA 92395

REFUNDING PROJECT

PROJECT	PROJECT ADDRESS
Hoag Hospital Newport Beach	One Hoag Drive, Newport Beach, CA 92663 500-540 Superior Ave., Newport Beach, CA 92663

(INTENTIONALLY LEFT BLANK)

EXHIBIT 2

FINANCING TEAM

Trustee:	Wells Fargo Bank, N.A.
Trustee Counsel:	Dorsey & Whitney
Master Trustee:	The Bank of New York Mellon Trust Company, N.A.
Agent for Sale:	California State Treasurer
Rating Agencies:	Standard & Poor's Fitch Ratings Moody's
Issuer's Financial Advisor:	Public Financial Management, Inc.
Issuer's Financial Analyst:	Macias Gini & O'Connell, LLP
Issuer's Counsel:	Orrick, Herrington & Sutcliffe LLP
Bond Counsel:	Sidley Austin, LLP
Underwriter:	Morgan Stanley & Co. LLC
Underwriter's Counsel:	Ropes & Gray, LLP
Borrower's Counsel:	Polsinelli, PC
Borrower's Financial Advisor:	Kaufman Hall & Associates, Inc.
Auditor:	Ernst & Young, LLP

EXHIBIT 3

ST. JOSEPH HEALTH SYSTEM OBLIGATED GROUP
UTILIZATION STATISTICS

	For the Year Ended June 30,		
	2012	**2011**	**2010**
Operated Beds (1)	2,764	2,669	2,681
Discharges (2)	136,414	137,857	139,981
Patient Days (2)	607,182	619,174	612,035
Average Length of Stay	4.5	4.5	4.4
% Occupancy Based on Operated Beds	60.0	63.6	62.6
Outpatient Visits (Including ER visits)	2,252,896	2,191,726	2,108,407

(1) Includes skilled nursing, acute psychiatric and chemical dependency beds, where applicable.

(2) Exclude well newborns.

HOAG MEMORIAL HOSPITAL PRESBYTERIAN OBLIGATED GROUP
UTILIZATION STATISTICS

	For the Year Ended September 30,		
	2012	**2011**	**2010**
Operated Beds (1)	568	568	582
Inpatient Statistics			
Staffed Beds – acute care	482	449	436
Discharges	24,984	26,517	28,827
Patient Days	108,845	114,523	120,960
Average Length of Stay	4.4	4.3	4.2
% Occupancy Based on Staffed Beds	62.0	70.0	78.0
Average Daily census – acute (1)	297	313	331
Outpatient Statistics			
Emergency Visits	91,175	89,574	71,645
Outpatient Visits (2)	270,791	264,162	269,689
Outpatient Surgeries	9,679	10,550	10,830
Total Outpatient Volume	371,645	364,286	352,164

(1) Includes skilled nursing, acute psychiatric and chemical dependency beds, where appropriate.
(2) Includes all Emergency Room Activities including individuals that are subsequently admitted.

EXHIBIT 4

SJHS OUTSTANDING DEBT

Date Issued	Original Amount	Amount Outstanding As of June 30, 2012[a]	Estimated Amount Outstanding after Proposed Financing
-EXISTING LONG-TERM DEBT:			
Authority Debt:			
CHFFA Series 2009A	$185,095,000	$182,368,000	$182,368,000
CHFFA Series 2009BCD [b]	236,005,000	243,260,000	243,260,000
CHFFA Series 2011ABCD	302,110,000	302,110,000	302,110,000
Other Long-Term Debt:			
CSCDA Series 1999, 2000, 2007 A-F	743,360,000	619,290,000	619,290,000
LHFDC Series 2008A[c]	51,500,000	46,750,000	46,750,000
LHFDC Series 2008B	136,185,000	105,385,000	105,385,000
Bank Lines of Credit		97,000,000	97,000,000
Lease Financing Obligation		66,981,000	66,981,000
Other Debt		9,878,000	9,878,000
- PROPOSED NEW DEBT:			
CHFFA Series 2013			**850,000,000**
- TOTAL DEBT		**$1,673,022,000**	**$2,523,022,000**

(a) Includes current portion of long-term debt.
(b) The amount outstanding as of June 30, 2012 included amortized premium.
(c) Lubbock Health Facilities Development Corporation ("LHFDC").

EXHIBIT 5

HOAG OBLIGATED GROUP OUTSTANDING DEBT

Date Issued	Original Amount	Amount Outstanding As of September 30, 2012[a]	Estimated Amount Outstanding after Proposed Financing
-EXISTING LONG-TERM DEBT:			
Other Long-Term Debt:			
City of Newport Beach Revenue Bonds Series 2011 A	$105,390,000	$104,751,000	$0
City of Newport Beach Revenue Bonds Series 2009 A[b]	66,835,000	67,819,000	0
City of Newport Beach Revenue Bonds Series 2009 D and E[b]	70,980,000	71,387,000	0
City of Newport Beach Revenue Bonds Series 2008 C	70,095,000	70,095,000	0
City of Newport Beach Revenue Bonds Series 2008 D, E and F	250,000,000	250,000,000	0
- TOTAL DEBT		**$564,052,000**	**$0**

(a) Includes current portion of long-term debt.
(b) The amount outstanding as of September 30, 2012 included amortized premium.

EXHIBIT 6

SJHS BACKGROUND, GOVERNANCE AND LICENSURE

Background

SJHS, a California nonprofit public benefit corporation headquartered in Irvine, California, was incorporated in 1981, by its Roman Catholic order sponsor, the Congregation of the Sisters of St. Joseph of Orange (the "St. Joseph Congregation"), to become the sole corporate member and "parent" organization of various corporations operating the St. Joseph Congregation's hospitals and other affiliated healthcare entities. SJHS is a member of an Obligated Group, which currently consists of itself (as the parent organization) and ten other affiliated California nonprofit public benefit corporations and four other affiliated Texas nonprofit corporations. Concurrently with the issuance of the Bonds, St. Joseph Home Care Network will exit the Obligated Group and Hoag Memorial Hospital Presbyterian will join the Obligated Group.

SJHS provides integrated strategic leadership and various centralized management functions for the fourteen acute care hospitals affiliates with 3,455 licensed acute beds, skilled nursing, psychiatric, outpatient services, substance abuse, rehabilitation, home health, and hospice. Management is in the process of developing a transition plan with respect to services for Hoag Hospital and its affiliates.

Obligated Group

The Obligated Group consists of SJHS and 14 other Members operating in the following regions: Southern California; Northern California; and West Texas/Eastern New Mexico. Each Member is jointly and severally obligated to pay the obligations issued under the Master Indenture. Upon the issuance of the 2013 bonds, Hoag will become an SJHS Obligated Group Member and St. Joseph Home Care Network will withdraw from the Obligated Group.

St. Joseph Health System[a]

Current Obligated Group Members	Location
Southern California	
St. Joseph Health System	Irvine, CA
St. Joseph Hospital of Orange	Orange, CA
St. Jude Hospital, Inc.	Fullerton, CA
Mission Hospital Regional Medical Center	Mission Viejo, CA
St. Mary Medical Center	Apple Valley, CA

Northern California Region

Queen of the Valley Medical Center	Napa, CA
Santa Rosa Memorial Hospital	Santa Rosa, CA
SRM Alliance Hospital Services	Petaluma, CA
St. Joseph Hospital of Eureka	Eureka, CA
Redwood Memorial Hospital of Fortuna	Fortuna, CA
St. Joseph Home Care Network(b)	Rohnert Park, CA

West Texas/Eastern New Mexico Region [c]

Covenant Health System, dba Covenant Medical Center ..	Lubbock, TX
Methodist Children's Hospital...	Lubbock, TX
Methodist Hospital Levelland..	Levelland, TX
Methodist Hospital Plainview..	Plainview, TX

(a) Upon the issuance of the 2013 bonds, Hoag Memorial Presbyterian Hospital will join the SJHS Obligated Group.

(b) St. Joseph Home Care Network will be withdrawing from the Obligated Group upon issuance of the 2013 bonds.

(c) Although Texas is part of the Obligated Group, they will not be receiving proceeds from this financing.

Corporate Governance

The SJHS Bylaws provide that St. Joseph Health Ministry is the member of SJHS. St. Joseph Health Ministry is a California non-profit corporation under civil law and was recognized by the Vatican in 2007 as a public juridic person under Canon law and became operational in May 2008. St. Joseph Health Ministry serves as both the sole corporate member of SJHS and as the Catholic sponsor of SJHS and the other Obligated Group Members on the date hereof (which does not include Hoag). Before 2007, the members of the General Council of the St. Joseph Congregation served as the civil members and Catholic sponsor of SJHS. The corporate board of St. Joseph Health Ministry includes lay trustees.

The SJHS Bylaws of the SJHS provide that its powers shall be exercised, its properties controlled and its affairs conducted by a Board of Trustees. The Bylaws further provide that SJHS shall be operated and controlled by the Board of Trustees with certain powers reserved to St. Joseph Health Ministry.

Licensure and Memberships

SJHS' California patient care facilities are licensed by the California Department of Public Health to the extent required by law and are certified to participate in Medicare and Medi-Cal programs.

EXHIBIT 7

HOAG'S BACKGROUND, GOVERNANCE AND LICENSURE

Background

Hoag Memorial Hospital Presbyterian ("Hoag") was incorporated as a nonprofit corporation in 1944. Half of the initial funding for Hoag was provided by the George Hoag Family Foundation and half by funds raised from the community through the Presbyterian Church.

Hoag's mission as a nonprofit, faith-based hospital is to provide the highest quality healthcare services to the community it serves. Hoag promotes five core values: excellence, respect, integrity, patient centeredness and community benefit.

Hoag offers a comprehensive mix of healthcare services including, but not limited to: cardiology and cardiovascular surgery, chemical dependency, comprehensive cancer services, critical care, general acute and medical surgical services, orthopedic and joint replacement, radiology, robotics, women's health services, diabetes education and treatment, specialty programs such as sleep disorders and epilepsy.

Hoag is the sole shareholder of, or is otherwise affiliated with, several entities including: Coastal Physician Purchasing Group, Inc., Hoag Hospital Foundation, Hoag Orthopedic Institute, Newport Imaging Center, LLC, Hoag Management Services, Inc., Newport Healthcare Center, LLC, Hoag Outpatient Centers, LLC, and Hoag Medical Foundation, Inc.

Obligated Group

Pursuant to the Hoag's Master Trust Indenture dated as of May 1, 2007, as supplemented and amended from time to time, Hoag, which owns and/or operates general acute care hospitals in Newport Beach, California and in Irvine, California and Newport Healthcare Center, LLC are the sole Members of the Current Hoag Bonds Obligated Group.

Hoag Memorial Hospital Presbyterian

Current Hoag Bonds Obligated Group Members	**Location**
Hoag Memorial Hospital Presbyterian	Newport Beach, CA
Newport Health Care Center, LLC *	Newport Beach, CA

* Newport Healthcare Center, LLC ("NHC") a wholly-owned subsidiary of Hoag, owns and operates real estate and a medical office complex providing outpatient services, physician office space and administrative functions. NHC will not become part of the SJHS Obligated Group with this issuance.

Corporate Governance

Covenant Health Network ("CHN"), the Hoag Family Foundation and the constituent churches of the Los Ranchos Presbytery of the Presbyterian Church (USA) as represented by the Association of Presbyterian Ministers ("APM") are the co-members of Hoag.

CHN does not have any corporate members, and none of SJHS, its affiliates nor Hoag has any ownership interest in CHN. CHN's governing board consists of seven members, four of which are designated by SJHS. The remaining three members are designated by the Hoag Family Foundation and APM. In accordance with the CHN Affiliation Agreement, SJHS shall at all times have the right to designate at least a majority of the CHN board members. No member of the CHN board may serve concurrently on SJHS's board, Hoag's board or any board of a SJHS Southern California Hospital. The CHN board is principally responsible for providing strategic planning leadership and oversight for each of the SJHS Southern California Hospitals and Hoag.

CHN and SJHS have certain reserved powers with respect to the governance, management and operation of each of the SJHS Southern California Hospitals and Hoag. Some of these powers may be exercised only by a supermajority vote of the CHN Board of Directors, meaning the affirmative vote of at least three of the four members designated by SJHS, and of at least two of the three members designated by the Hoag Family Foundation and APM. The Hoag Family Foundation and APM also have reserved powers with respect to certain management and operating matters and transactions involving Hoag.

Licensure and Memberships

Hoag's acute general care facilities in Newport Beach and Irvine operate under the same license issued by the State of California Department of Public Health to the extent required by the law and are certified to participate in the Medicare program.

RESOLUTION NO. 391

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF REVENUE BONDS TO FINANCE AND REFINANCE PROJECTS AT THE HEALTH FACILITIES OF CERTAIN AFFILIATED CORPORATIONS OF ST. JOSEPH HEALTH SYSTEM

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;

WHEREAS, St. Joseph Health System is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Borrower"), and is affiliated with St. Joseph Hospital of Eureka, St. Joseph Hospital of Orange, St. Jude Hospital, Inc., St. Mary Medical Center, Santa Rosa Memorial Hospital and Hoag Memorial Hospital Presbyterian, each a California nonprofit public benefit corporation which owns and operates health care facilities in the State of California; and

WHEREAS, the City of Newport Beach, California has previously issued its Revenue Bonds listed in Exhibit B hereto (the "Prior Bonds"), in the total aggregate principal amount of $563,300,000, of which $552,675,000 currently is outstanding, and loaned the proceeds thereof to Hoag Memorial Hospital Presbyterian to finance and refinance the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities, as more particularly described under the caption "Prior Project" in Exhibit A hereto (the "Prior Project"); 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 $850,000,000, and make one or more loans of the proceeds thereof to the Borrower to (i) refund all of the outstanding Prior Bonds, (ii) reimburse the costs of, and finance, the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities, as more particularly described under the caption "New Project" in Exhibit A hereto (the "New Project" and, together with the Prior Project, the "Project"), and (iii) pay costs of issuance of the Bonds (as defined below);

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 (St. Joseph Health System)" (the "Bonds"), in a total aggregate principal amount not to exceed $850,000,000, are hereby authorized to be issued from time to time, in one or more series, with such other name or names of the Bonds or series thereof as designated in the indenture pursuant to which the Bonds will be issued. The proceeds of the Bonds shall be used for any or all of the purposes set forth in the fourth 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 May 30, 2014, at 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 the discount on the Bonds sold shall not exceed six 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 shall, at issuance, be rated at investment grade by an active nationally recognized rating agency. 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 following documents:

(i) the Loan Agreement relating to the Bonds (the "Loan Agreement"), between the Authority and the Borrower,

(ii) the Bond Indenture relating to the Bonds (the "Bond Indenture"), between the Authority and Wells Fargo Bank, National Association, as bond trustee (the "Trustee"),

(iii) the Bond Purchase Contract, including the exhibits thereto, relating to the Bonds (the "Purchase Contract"), among Morgan Stanley & Co. LLC (the "Underwriter"), the Treasurer and the Authority, and approved by the Borrower, and

(iv) the preliminary official statement relating to the Bonds (the "Preliminary Official Statement"),

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 Contract and by delivery thereof in the case of the Preliminary Official Statement. 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, 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 Underwriter is hereby authorized to distribute a Preliminary Official Statement for the Bonds to persons who may be interested in the purchase of such Bonds offered in such issuance, it being understood that, at the discretion of the Underwriter (in consultation with the Borrower), a preliminary official statement may not be used with respect to any series of Bonds. The Underwriter is hereby directed to deliver the final official statement (the "Official Statement") to all actual purchasers of such 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 thereof in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved. Said instructions shall provide for the delivery of the Bonds to or upon direction of the Underwriter, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

SECTION 8. Each officer of the Authority is hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things which they may deem necessary or advisable in order to consummate the issuance, sale, and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution and the Bond Indenture, Loan Agreement, Bond Purchase Contract and Official Statement. 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.

SECTION 9. The provisions of the Authority's Resolution No. 2013-02 apply to the documents and actions approved in this Resolution.

SECTION 10. The Authority hereby approves and ratifies each and every action taken by its officers, agents and employees prior to the date hereof in furtherance of the purposes of this Resolution.

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

Date of Adoption: ________________________

EXHIBIT A

Prior Project:

Financing and refinancing the costs of acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of Hoag Hospital Newport Beach, a 484-licensed-bed acute care hospital facility located at or about One Hoag Drive, Newport Beach, California (including adjacent to or across the street from One Hoag Drive), and including imaging equipment located at 500-540 Superior Avenue, Newport Beach, California, which are owned and operated by Hoag Memorial Hospital Presbyterian.

New Project:

Financing and refinancing the costs of acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of the following health facilities: (i) St. Joseph Hospital, a 463-licensed-bed tertiary acute care hospital facility including a 37-licensed-bed acute psychiatric facility, located at 1100 West Stewart Drive, Orange, California, which is owned and operated by St. Joseph Hospital of Orange; (ii) St. Jude Medical Center, a 329-licensed-bed tertiary acute care hospital facility located at 101 East Valencia Mesa Drive, Fullerton, California, which is owned and operated by St. Jude Hospital, Inc, with projects including construction and equipping of a 216,000 square foot replacement hospital tower and central plant.; (iii) St. Mary Medical Center, a 212-licensed-bed acute care hospital facility located at 18300 Highway 18, Apple Valley, California, which is owned and operated by St. Mary Medical Center, with projects including construction and equipping of a new acute care hospital and an ambulatory care center located at Amargosa Road and Smoketree Road in Victorville, California; (iv) Santa Rosa Memorial Hospital, a 338-licensed-bed tertiary acute care hospital facility, including a 31-licensed-bed short stay skilled nursing facility, located at 1165 Montgomery Drive, Santa Rosa, California, which is owned and operated by Santa Rosa Memorial Hospital; and (v) St. Joseph Hospital, a 153-licensed-bed acute care hospital facility, including a 15-licensed-bed rehabilitation center, located at 2700 Dolbeer Street, Eureka, California, which is owned and operated by St. Joseph Hospital of Eureka, with projects including construction and equipping of a 100,000 square foot acute care medical tower.

EXHIBIT B

PRIOR BONDS

City of Newport Beach Refunding Revenue Bonds (Hoag Memorial Hospital Presbyterian) Series 2008C

City of Newport Beach Refunding Revenue Bonds (Hoag Memorial Hospital Presbyterian) Series 2008D, 2008E and 2008F

City of Newport Beach Revenue Bonds (Hoag Memorial Hospital Presbyterian) Series 2009A

City of Newport Beach Revenue Bonds (Hoag Memorial Hospital Presbyterian) Series 2009D and 2009E

City of Newport Beach Revenue Bonds (Hoag Memorial Hospital Presbyterian) Series 2011A