

AGENDA

MEETING OF THE EL CAMINO HOSPITAL BOARD

Wednesday, October 12, 2016 – 5:30 pm
 Conference Rooms E, F & G (ground floor)
 2500 Grant Road Mountain View, CA 94040

Lanhee Chen will participating via teleconference from 1150 22nd St. NW Washington, DC 20037.
 Jeffrey Davis, MD will be participating via teleconference from 780 S Airport Blvd. South San Francisco, CA 94080.

MISSION: To be an innovative, publicly accountable, and locally controlled comprehensive healthcare organization which cares for the sick, relieves suffering, and provides quality, cost competitive services to improve the health and well-being of our community.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
1. CALL TO ORDER / ROLL CALL	Neal Cohen, MD, Board Chair		5:30 – 5:32 pm
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Neal Cohen, MD, Board Chair		5:32 – 5:33
3. BOARD RECOGNITION <i>Resolution 2016-12</i> The Board will recognize individual(s) who enhance the experience of the Hospital's patients and the community. ATTACHMENT 3	Jodi Barnard, President, ECH Foundation	<i>public comment</i>	motion required 5:33 – 5:38
4. FY17 PERIOD 2 FINANCIALS ATTACHMENT 4	Iftikhar Hussain, CFO	<i>public comment</i>	motion required 5:38 – 5:43
5. FY16 FINANCIAL AUDIT ATTACHMENT 5	Brian Conner, Moss Adams		discussion 5:43 – 5:53
6. RESOLUTION 2016-13 Adopting the 2016 Plan of Finance, Approving Transactions for the Funding of New Projects at the Mountain View Campus, and Paying Costs of Issuance Plus a Capitalized Interest Amount Not to Exceed \$325,000,000. a. Market Update and Plan of Finance b. Draft Combined Resolution 2016-13 ATTACHMENT 6	Iftikhar Hussain, CFO; Chad Kenan, Citigroup Global Markets; Jennifer Brown, Ponder & Co.	<i>public comment</i>	motion required 5:53 – 6:03
7. PROPOSED REVISIONS TO FY17 BUDGET ATTACHMENT 7	Iftikhar Hussain, CFO	<i>public comment</i>	possible motion 6:03 – 6:13
8. QUALITY COMMITTEE REPORT ATTACHMENT 8	David Reeder, Quality Committee Chair		information 6:13 – 6:23
9. FY16 COMMUNITY BENEFIT REPORT ATTACHMENT 9	Barbara Avery, Director of Community Benefit	<i>public comment</i>	motion required 6:23 – 6:43
10. PUBLIC COMMUNICATION a. Oral Comments <i>This opportunity is provided for persons in the audience to make a brief statement, not to exceed 3 minutes on issues or concerns not covered by the agenda.</i> b. Written Correspondence	Neal Cohen, MD, Board Chair		information 6:43 – 6:46

A copy of the agenda for the Regular Meeting will be posted and distributed at least seventy-two (72) hours prior to the meeting. In observance of the Americans with Disabilities Act, please notify us at 650-988-7504 prior to the meeting so that we may provide the agenda in alternative formats or make disability-related modifications and accommodations.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
11. ADJOURN TO CLOSED SESSION	Neal Cohen, MD, Board Chair		motion required 6:46 – 6:47
12. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Neal Cohen, MD, Board Chair		6:47 – 6:48
13. CONSENT CALENDAR <i>Any Board Member may remove an item for discussion before a motion is made.</i> Approval <i>Gov't Code Section 54957.2:</i> a. Minutes of the Closed Session of the Hospital Board Meeting (September 14, 2016) b. Minutes of the Closed Session of the Hospital Board Meeting (September 27, 2016) c. Minutes of the Closed Session of the Executive Compensation Committee Meeting (May 17, 2016) <i>Gov't Code Section 54956(d)(2) – Conference with legal counsel – pending or threatened litigation:</i> d. FY16 Patient Safety Claims Report <i>Health & Safety Code 32106(b) for a report involving health care facility trade secrets:</i> e. Semi-Annual Physician Contract Report	Neal Cohen, MD, Board Chair		motion required 6:48 – 6:50
14. <i>Gov't Code Section 54956.9(d)(2) – Conference with legal counsel – pending or threatened litigation:</i> - FY16 Financial Audit	Brian Conner, Moss Adams		discussion 6:50 – 7:00
15. Report of the Medical Staff. <i>Health and Safety Code Section 32155.</i> Deliberations concerning reports on Medical Staff quality assurance matters: - Medical Staff Report	Rebecca Fazilat, MD, Mountain View Chief of Staff; J. Augusto Bastidas, MD, Los Gatos Chief of Staff		motion required 7:00 – 7:10
16. Report of the Medical Staff. <i>Health and Safety Code Section 32155.</i> Deliberations concerning reports on Medical Staff quality assurance matters: - Organizational Clinical Risks	Daniel Shin, MD, Director of Quality Assurance		discussion 7:10 – 7:20
17. <i>Gov't Code Section 54957.6</i> for a conference with labor negotiator Kathryn Fisk. - Labor Relations Update	Kathryn Fisk, CHRO		possible motion 7:20 – 7:50
18. Discussion involving <i>Health and Safety Code Section 32106(b)</i> for a report involving health care facility trade secrets: - Expansion of Oncology Services	Tomi Ryba, President and CEO; Mick Zdeblick, COO		discussion 7:50 – 8:00

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
19. Discussion involving <i>Health and Safety Code Section 32106(b)</i> for a report involving health care facility trade secrets: - Service Line Update <ul style="list-style-type: none"> a. Service Line Performance Summary b. Oncology Strategic Plan Summary c. Behavioral Health Service Line 	Tomi Ryba, President and CEO		discussion 8:00 – 8:30
20. Discussion involving <i>Health and Safety Code Section 32106(b)</i> for a report involving health care facility trade secrets: - Strategic Priorities	Tomi Ryba, President and CEO		discussion 8:30 – 9:00
21. Discussion involving <i>Gov't Code Section 54957</i> and <i>54957.6</i> for report and discussion on personnel matters and <i>Health and Safety Code 32106(b)</i> for report involving health care facility trade secrets: - Informational Items	Tomi Ryba, President and CEO		information 9:00 – 9:05
22. Report involving <i>Gov't Code Section 54957</i> for discussion and report on personnel performance matters and <i>Health and Safety Code 32106(b)</i> for report involving health care facility trade secrets: - CEO Search Ad Hoc Committee Report	Lanhee Chen, CEO Search Ad Hoc Committee Chair		discussion 9:05 – 9:25
23. Report involving <i>Gov't Code Section 54957</i> for discussion and report on personnel performance matters: - CEO Separation Agreement	Neal Cohen, MD, Board Chair		discussion 9:25 – 9:35
24. Report involving <i>Govt. Code Section 54957</i> for discussion and report on personnel performance matters: - Executive Session	Neal Cohen, MD, Board Chair		discussion 9:35 – 9:40
25. ADJOURN TO OPEN SESSION	Neal Cohen, MD, Board Chair		9:40 – 9:41
26. RECONVENE OPEN SESSION / REPORT OUT	Neal Cohen, MD, Board Chair		9:41 – 9:42
To report any required disclosures regarding permissible actions taken during Closed Session.			
27. CONSENT CALENDAR ITEMS: <i>Any Board Member or member of the public may remove an item for discussion before a motion is made.</i> Approval <ul style="list-style-type: none"> a. Minutes of the Open Session of the Hospital Board Meeting (September 14, 2016) b. Minutes of the Open Session of the Hospital Board Meeting (September 27, 2016) <i>Reviewed and Recommended for Approval by the Finance Committee</i> <ul style="list-style-type: none"> c. FY17 Period 1 Financials d. ED Orthopedic On-Call Panel (MV) 	Neal Cohen, MD, Board Chair	<i>public comment</i>	motion required 9:42 – 9:44

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
<p><i>Reviewed and Recommended for Approval by the Corporate Compliance/Privacy and Internal Audit Committee</i></p> <p>e. Annual 403(b) Plan Audit</p> <p>f. Participant Cash Balance Plan Audit</p> <p>g. Policies</p> <p><i>Policies with Major Revisions</i></p> <p>- HR - Student Educational Experience</p> <p><i>Policies with Minor Revisions</i></p> <p>- HIMS – Patient Access to Protected Health Information</p> <p>- HR – Discrimination in Employment</p> <p>- HR – Harassment</p> <p><i>Policies with No Revisions</i></p> <p>- HIMS – Retention and Destruction of Records</p> <p><i>Reviewed and Recommended for Approval by the Executive Compensation Committee</i></p> <p><i>Policies:</i></p> <p>h. Executive Compensation Philosophy</p> <p>i. Executive Base Salary Administration</p> <p>j. Executive Performance Incentive Plan</p> <p>k. Minutes of the Open Session of the Executive Compensation Committee Meeting (May 17, 2016)</p> <p><i>Reviewed and Approved by the Medical Executive Committee</i></p> <p>l. Medical Staff Report</p>			
28. RETENTION OF CEO SEARCH RECRUITMENT FIRM	Lanhee Chen, CEO Search Ad Hoc Committee Chair; Kathryn Fisk, CHRO	<i>public comment</i>	possible motion 9:44 – 9:46
29. FY16 FINANCIAL AUDIT	Iftikhar Hussain, CFO	<i>public comment</i>	possible motion 9:46 – 9:48
30. CEO SEPARATION AGREEMENT	Neal Cohen, MD, Board Chair	<i>public comment</i>	possible motion 9:48 – 9:50
31. EXPANSION OF ONCOLOGY SERVICES	Tomi Ryba, President and CEO; Mick Zdeblick, COO	<i>public comment</i>	possible motion 9:50 – 9:52
32. INFORMATIONAL ITEMS a. CEO Report	Tomi Ryba, President and CEO		information 9:52 – 9:56
33. BOARD COMMENTS	Neal Cohen, MD, Board Chair		information 9:56 – 9:59
34. ADJOURNMENT	Neal Cohen, MD, Board Chair		motion required 9:59 – 10:00pm

Upcoming Meetings

- October 26, 2016
(Board & Cmte Educational Gathering)
- November 9, 2016
(Joint Meeting with Compliance Committee)
- January 11, 2017
- February 8, 2017
- March 8, 2017
- April 12, 2017
- April 26, 2017
(Board & Cmte Educational Gathering)
- May 10, 2017
- June 14, 2017

ATTACHMENT 3

EL CAMINO HOSPITAL BOARD

RESOLUTION 2016 - 12

RESOLUTION OF THE BOARD OF DIRECTORS OF EL CAMINO HOSPITAL REGARDING RECOGNITION OF SERVICE TO THE COMMUNITY

WHEREAS, the Board of Directors of El Camino Hospital values and wishes to recognize the contribution of individuals who enhance the experience of the hospital's patients, their families, the community and the staff, as well as individuals who in their efforts exemplify El Camino Hospital's mission and values.

WHEREAS, the Board wishes to honor and acknowledge sisters Janin Saadieh Branco, Janet Shaffer, Dona Somora, and their mother, Amy Saadieh, for their ongoing support to help raise money in memory and honor of Kai Saadieh to benefit the Cancer Center at El Camino Hospital.

Kai Saadieh, a patient of Dr. Shane Dormady, succumbed to a six-month battle with prostate cancer on November 14, 2012 at age 48. To honor Kai, his family and close friends plan an annual event with 100 percent of event proceeds benefitting the Cancer Center at El Camino Hospital. The annual event includes a basket raffle drawing, live auction, dinner and dancing and takes place at the San Jose Municipal Golf Course. This year, the family added a golf tournament and to date, the family has raised over \$25,000 for cancer care at El Camino Hospital.

This family is truly a grateful family for the care that their loved one received at El Camino Hospital. It is with this appreciation that this annual event will continue for years to come. With the guidance of the Foundation, this past August Kai was honored at the Cancer Center with the naming of Infusion Bay #2 and his family gathered at the Center together with the nurses and oncologists who fondly remember Kai and the strength and courage that he showed during his battle.

WHEREAS, the Board would like to publically acknowledge the family of Kai Saadieh for their courage, dedication and commitment as a grateful patient family.

NOW THEREFORE BE IT RESOLVED that the Board does formally and unanimously pay tribute to:

Kai's sisters, Janin Saadieh Branco, Janet Shaffer, and Dona Somora

And Kai's mother, Amy Saadieh

**FOR THEIR COMMITMENT TO ENSURE COMPASSIONATE CARE CONTINUES FOR ALL PATIENTS WHO TURN TO
THE EL CAMINO HOSPITAL CANCER CENTER FOR THEIR TREATMENT.**

IN WITNESS THEREOF, I have here unto set my hand this **12TH DAY OF OCTOBER, 2016.**

EL CAMINO HOSPITAL BOARD OF DIRECTORS:

Lanhee Chen, JD, PhD
Dennis Chiu, JD
Neal Cohen, MD

Jeffrey Davis, MD
Peter Fung, MD
Julia Miller

David Reeder
Tomi Ryba
John Zoglin

PETER FUNG, MD
SECRETARY/TREASURER,
EL CAMINO HOSPITAL BOARD OF DIRECTORS



ATTACHMENT 4



El Camino Hospital

THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations
Iftikhar Hussain, CFO

Fiscal Year 2017 – Period 2
7/1/2016 to 8/31/2016

* * *

Dashboard - ECH combined as of August 31, 2016⁽²⁾

	Annual						Month			YTD		
	2013	2014	2015	2016	2017	2017	PY	CY	Bud/Target	PY	CY	Bud/Target
					Proj.	Bud/Target						
Volume												
Licensed Beds	443	443	443	443	443	443	443	443	443	443	443	443
ADC	240	238	246	242	233	245	237	228	234	233	229	234
Adjusted Discharges	29,300	28,999	29,361	28,662	29,231	29,446	2,473	2,501	2,477	4,973	4,872	4,929
Total Discharges	24,099	23,368	23,757	23,022	22,974	23,420	2,006	1,949	1,952	3,893	3,829	3,915
Inpatient Cases												
MS Discharges	17,478	16,824	17,234	16,999	16,794	17,285	1,465	1,418	1,440	2,841	2,799	2,880
Deliveries	5,235	5,140	5,067	4,717	4,722	4,810	419	404	401	817	787	802
BHS	861	857	901	806	900	755	72	80	63	146	150	137
Rehab	525	547	555	500	558	570	50	47	48	89	93	96
Outpatient												
ED	45,525	46,056	49,130	48,661	49,794	51,253	4,104	4,249	4,271	8,203	8,299	8,542
Procedural Cases												
OP Surg	5,852	6,403	6,488	6,074	6,192	6,004	528	539	500	1,075	1,032	1,096
Endo	2,242	2,492	2,520	2,322	1,998	2,479	199	197	207	420	333	412
Interventional	1,709	1,917	2,144	2,227	2,136	2,049	163	168	171	336	356	342
All Other	64,352	69,339	67,831	80,673	83,820	85,255	5,678	7,375	7,105	11,220	13,970	14,208
Financial Performance (\$000s)												
Net Revenues	686,327	721,123	746,645	772,020	792,128	789,585	62,813	66,835	65,277	122,009	132,021	128,224
Operating Expenses	632,353	669,680	689,631	743,044	710,401	758,807	59,619	60,425	62,986	117,783	118,400	124,376
Operating Income \$	69,126	70,305	78,120	52,613	103,425	55,837	5,142	8,324	4,355	8,448	17,238	8,048
Operating Margin	9.9%	9.5%	10.2%	6.6%	12.7%	6.9%	7.9%	12.1%	6.5%	6.7%	12.7%	6.1%
EBITDA \$	124,722	125,254	128,002	108,554	159,540	115,910	9,430	13,031	9,251	16,858	26,590	17,858
EBITDA %	17.8%	16.9%	16.7%	13.6%	19.6%	14.2%	14.6%	19.0%	13.7%	13.4%	19.6%	13.5%
IP Margin ¹	-1.1%	-3.2%	-4.5%	-6.6%	-8.5%	-6.1%	-3.3%	-8.5%	-6.1%	-3.3%	-8.5%	-6.1%
OP Margin ¹	25.9%	25.2%	28.1%	26.1%	31.8%	26.4%	31.6%	31.8%	26.4%	31.6%	31.8%	26.4%
Payor Mix												
Medicare	46.3%	44.6%	46.2%	46.6%	44.5%	46.4%	44.5%	48.7%	46.4%	44.5%	48.2%	46.4%
Medi-Cal	4.9%	6.0%	6.6%	7.4%	8.0%	6.5%	7.9%	6.5%	6.5%	7.9%	6.8%	6.5%
Commercial IP	25.3%	25.4%	24.2%	23.2%	23.3%	24.0%	24.5%	21.9%	24.0%	23.9%	21.8%	24.0%
Commercial OP	16.9%	18.6%	18.7%	18.7%	20.1%	19.0%	19.3%	20.0%	19.0%	19.7%	19.9%	19.3%
Total Commercial	42.2%	44.0%	42.9%	41.9%	43.4%	43.0%	43.8%	41.9%	43.0%	43.6%	41.7%	43.2%
Other	6.6%	5.4%	4.3%	4.1%	4.1%	4.1%	3.9%	2.9%	4.1%	4.0%	3.3%	4.1%
Cost												
Employees	2,289.0	2,435.6	2,452.4	2,542.8	2,468.8	2,499.7	2,602.6	2,457.6	2,533.0	2,583.0	2,468.8	2,499.7
Hrs/APD	29.72	29.31	30.45	30.35	30.20	31.22	30.10	30.07	31.52	30.67	30.20	31.22
Balance Sheet												
Net Days in AR	47.8	50.9	43.6	53.7	49.6	48.0	50.9	49.6	48.0	50.9	49.6	48.0
Days Cash	350	382	401	361	410	266	393	410	266	393	410	266
Debt to Capitalization	14.0%	12.6%	13.6%	13.8%	13.5%	17.3%	13.7%	13.5%	17.3%	13.7%	13.5%	17.3%
MADS	8.0	9.5	8.9	6.1	11.3	9.3	7.4	11.3	9.3	7.4	11.3	9.3
Affiliates - Net Income (\$000s)												
Hosp	88,820	118,906	94,787	43,043	33,562	67,032	(11,891)	13,277	5,288	(7,320)	33,562	9,914
Concern	371	1,862	1,202	1,823	504	2,604	380	125	207	648	504	417
ECSC	(317)	(5)	(41)	(282)	(3)	0	18	(0)	0	19	(3)	0
Foundation	1,545	3,264	710	982	640	(450)	(580)	126	(48)	(311)	640	(90)
SVMD	(114)	32	106	156	143	0	(2)	(47)	(1)	(4)	143	(2)

Inpatient Volume:

- YTD August Inpatient discharges was 3.2% below budget
- # of Deliveries were lower than budget by 2.5%; and General Medicine was also posted a lower case volume for the month and YTD.
- However, General Surgery, Spine Surgery and HVI cases were above budget by 4-5%.

Outpatient Volume:

- Overall outpatient volume was close to budget.
- Areas with better than budget performance include OP BHS, OP HVI and OP Oncology (Infusion Center) & Sleep Center.
- ED, OP Surgeries, and ENDO cases all posted a lower budget volume YTD.

Operation Income:

- Operating margin for August was \$4M favorable to budget, \$9.2M favorable year to date. Both revenues and expenses are favorable compared to budget.
- The favorable Net Revenue variance is primarily due to improved rev cycle operations including reduction in denials, Blue Cross rate increase and improvement in charge capture.
- Expenses are low in labor by \$1.8M with improved in efficiency and non labor categories like purchase services and consulting fees.

In August, receivables decreased \$9.7M from July, as net days in A/R decreased to 49.6.

Fiscal Year 2017 YTD (7/1/2016-8/31/2016) Waterfall

				Month to Date (MTD)			Year to Date (YTD)		
				Detail	Net Income Impact	% Net Revenue	Detail	Net Income Impact	% Net Revenue
\$ in Thousands									
Net Revenue (FY2017 Budget/FY2017 Actual)				67,341	68,749		132,424	135,638	
Budgeted Hospital Operations FY2017					4,355	6.5%		8,048	6.1%
Net Revenue					1,408	2.0%		3,214	2.4%
* IP/OP volumes are either holding steady. Rev is higher than expected due to improvement in reve cycle processes mainly reduced denials				1,408					
Labor and Benefit Expense Change					1,826	2.7%		2,658	2.0%
* Flexing to meet volumes. Hours currently under budget by 3%				1,826			2,658		
Professional Fees & Purchased Services					292	0.4%		1,489	1.1%
* Budgeted Medical Director fees/Consultants				138			926		
* Repairs/Software				154			563		
Supplies					(54)	-0.1%		1,173	0.9%
* Drug Exp				(684)			(339)		
* Medical Supplies (Volumes)				119			790		
* Misc Net Supplies (Food/Volumes)				511			721		
Other Expenses					309	0.4%		199	0.1%
* Dues and Subscriptions				309			199		
Depreciation & Interest					189	0.3%		458	0.3%
Actual Hospital Operations FY2017					8,324	12.1%		17,238	12.7%

El Camino Hospital (\$000s) ⁽¹⁾

2 month ending 8/31/2016

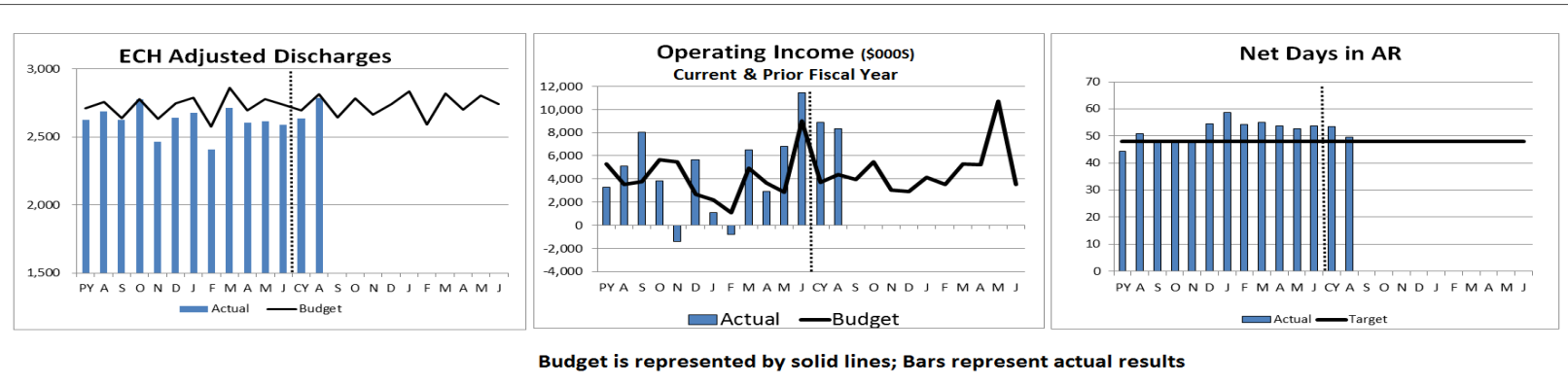
PERIOD 2 FY 2016	PERIOD 2 FY 2017	PERIOD 2 Budget 2017	Variance Fav (Unfav)	Var%
224,410	243,585	242,041	1,544	0.6%
(161,597)	(176,750)	(176,764)	14	1.0%
62,813	66,835	65,277	1,558	2.4%
1,948	1,914	2,064	(150)	-7.3%
64,761	68,749	67,341	1,408	2.1%
34,940	35,755	37,581	1,826	4.9%
9,867	9,838	9,783	(54)	-0.6%
7,336	7,463	7,755	292	3.8%
3,188	2,663	2,972	309	10.4%
450	612	602	(10)	-1.7%
3,838	4,094	4,293	199	4.6%
59,619	60,425	62,986	2,561	4.1%
5,142	8,324	4,355	3,969	91.1%
(17,034)	4,953	933	4,020	430.9%
(11,891)	13,277	5,288	7,989	151.1%
14.6%	19.0%	13.7%	5.2%	
7.9%	12.1%	6.5%	5.6%	
-18.4%	19.3%	7.9%	11.5%	

\$000s
OPERATING REVENUE
Gross Revenue
Deductions
Net Patient Revenue
Other Operating Revenue
Total Operating Revenue
OPERATING EXPENSE
Salaries & Wages
Supplies
Fees & Purchased Services
Other Operating Expense
Interest
Depreciation
Total Operating Expense
Net Operating Income/(Loss)
Non Operating Income
Net Income(Loss)
EBITDA
Operating Margin
Net Margin

YTD FY 2016	YTD FY 2017	YTD Budget 2017	Variance Fav (Unfav)	Var%
441,375	474,847	475,459	(612)	-0.1%
(319,367)	(342,826)	(347,236)	4,410	-1.3%
122,009	132,021	128,224	3,798	3.0%
4,222	3,616	4,200	(584)	-13.9%
126,230	135,638	132,424	3,214	2.4%
70,053	71,269	73,927	2,658	3.6%
19,581	18,278	19,451	1,173	6.0%
14,677	14,461	15,950	1,489	9.3%
5,010	5,040	5,238	199	3.8%
900	1,229	1,204	(25)	-2.0%
7,560	8,124	8,606	482	5.6%
117,783	118,400	124,376	5,976	4.8%
8,448	17,238	8,048	9,190	114.2%
(15,768)	16,324	1,866	14,459	775.0%
(7,320)	33,562	9,914	23,648	238.5%
13.4%	19.6%	13.5%	6.1%	
6.7%	12.7%	6.1%	6.6%	
-5.8%	24.7%	7.5%	17.3%	

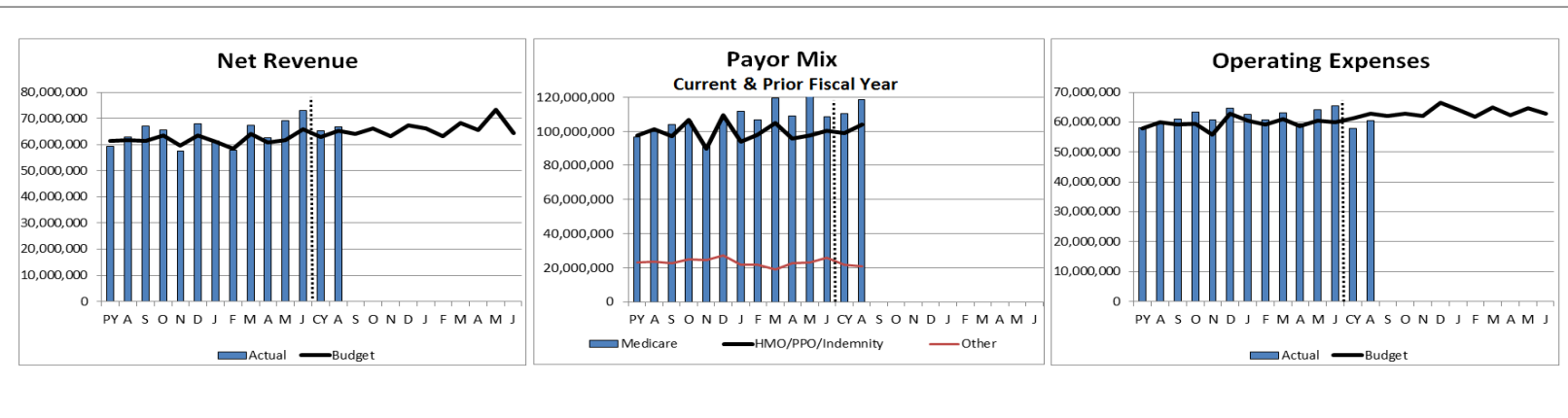
⁽¹⁾ Hospital entity only, excludes controlled affiliates

Monthly Financial Trends



Volume is low mainly in surgeries.

AR days decreased 3.9 days from July to August.



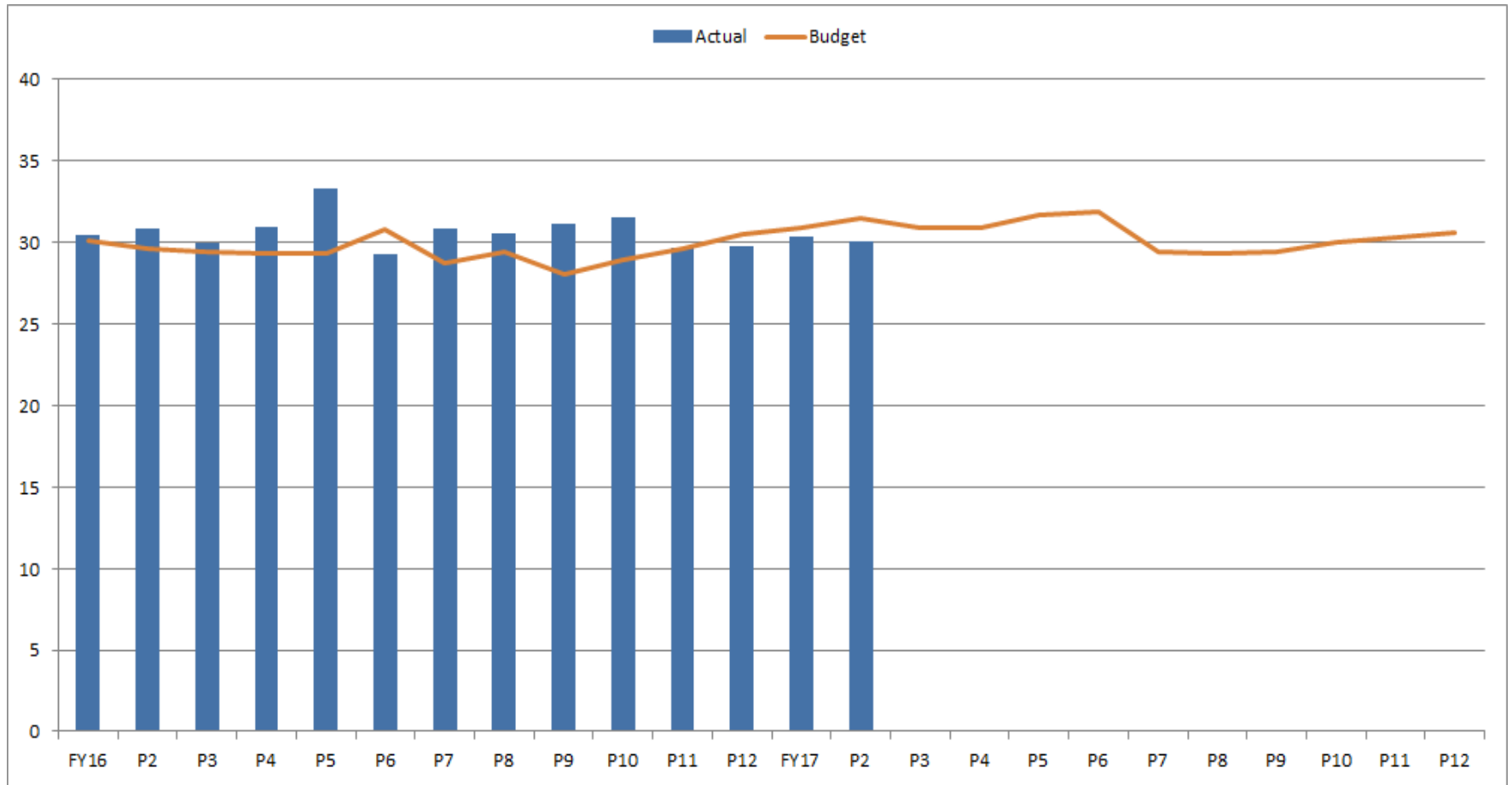
ECH Operating Margin

Run rate is booked operating income adjusted for material non-recurring transactions



FY 2017 Actual Run Rate Adjustments (in thousands)													
		J	A	S	O	N	D	J	F	M	A	M	J
Revenue Adjustments	RAC Release	\$76	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Insurance Overpayment Release Spine	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Mcare Settlmt/Appeal/Tent Settlmt/PIP	-\$100	\$158	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Total	-\$31	\$118	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Expense Adjustments	Pay-For-Performance Bonus	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Actuarial Exp for Workers Comp	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Worked Hours per Adjusted Patient Day



Productivity has improved after EPIC go-live and is ahead of target in August .

Summary of Financial Results

\$ in Thousands

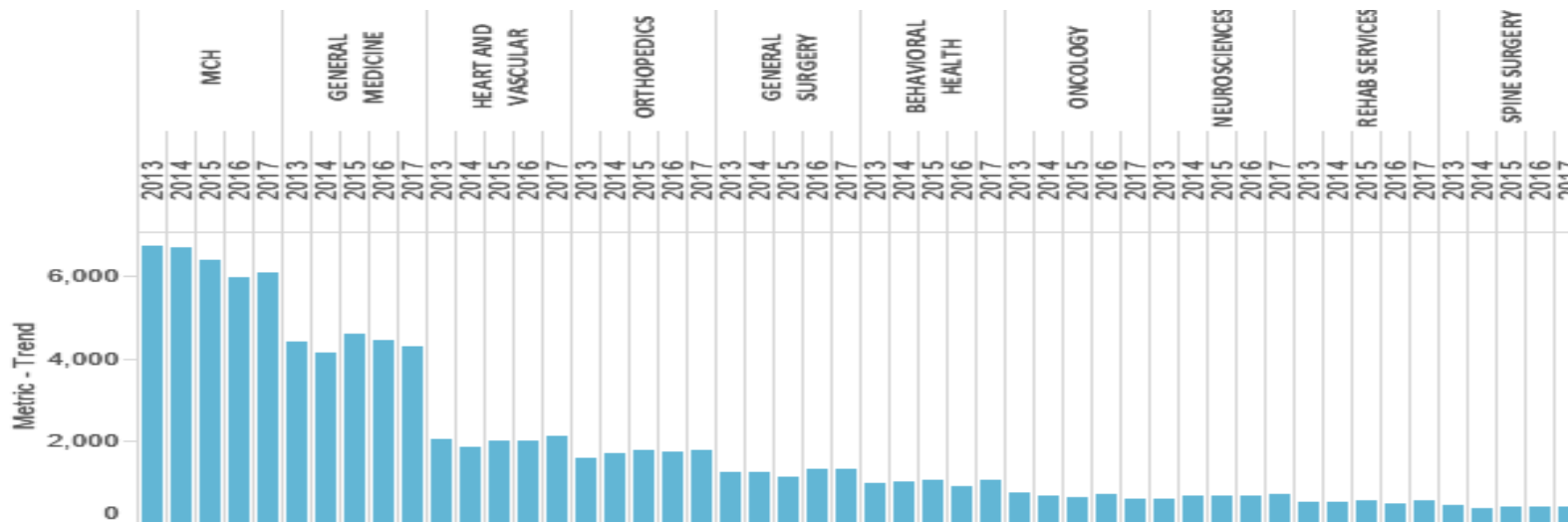
	Period 2 - Month			Period 2 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	7,589	3,421	4,168	15,306	6,098	9,209
Los Gatos	735	934	(199)	1,931	1,950	(19)
Sub Total - El Camino Hospital, excl. Affiliates	8,324	4,355	3,969	17,238	8,048	9,190
Operating Margin %	12.1%	6.5%		12.7%	6.1%	
El Camino Hospital Non Operating Income						
Investments	4,570	1,666	2,904	16,470	3,331	13,139
Swap Adjustments	182	0	182	(70)	0	(70)
Community Benefit	(189)	(283)	94	(320)	(567)	246
Other	390	(449)	839	244	(899)	1,143
Sub Total - Non Operating Income	4,953	933	4,020	16,324	1,866	14,459
El Camino Hospital Net Income (Loss)	13,277	5,288	7,989	33,562	9,914	23,648
ECH Net Margin %	19.3%	7.9%		24.7%	7.5%	
Concern	125	207	(82)	504	417	87
ECSC	0	0	0	(3)	0	(3)
Foundation	126	(48)	174	640	(90)	731
Silicon Valley Medical Development	(47)	(1)	(46)	143	(2)	145
Net Income Hospital Affiliates	204	158	46	1,284	324	960
Total Net Income Hospital & Affiliates	13,481	5,446	8,035	34,846	10,238	24,608

Favorable variance in other due to JV income mainly Pathways.

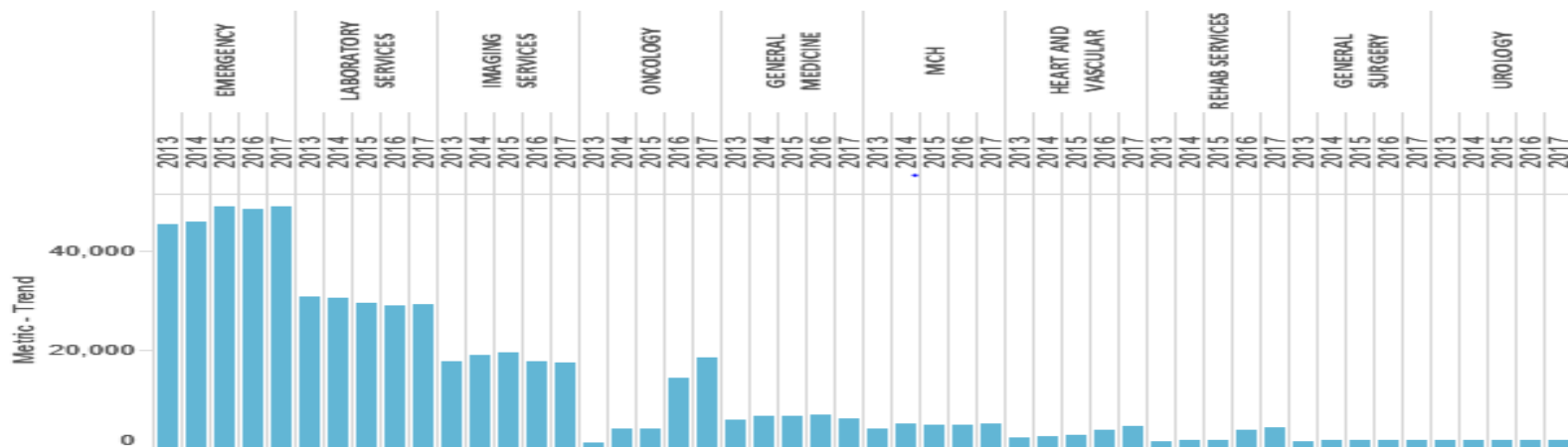
El Camino Hospital Volume Annual Trends

FY 2017 is annualized

IP



OP



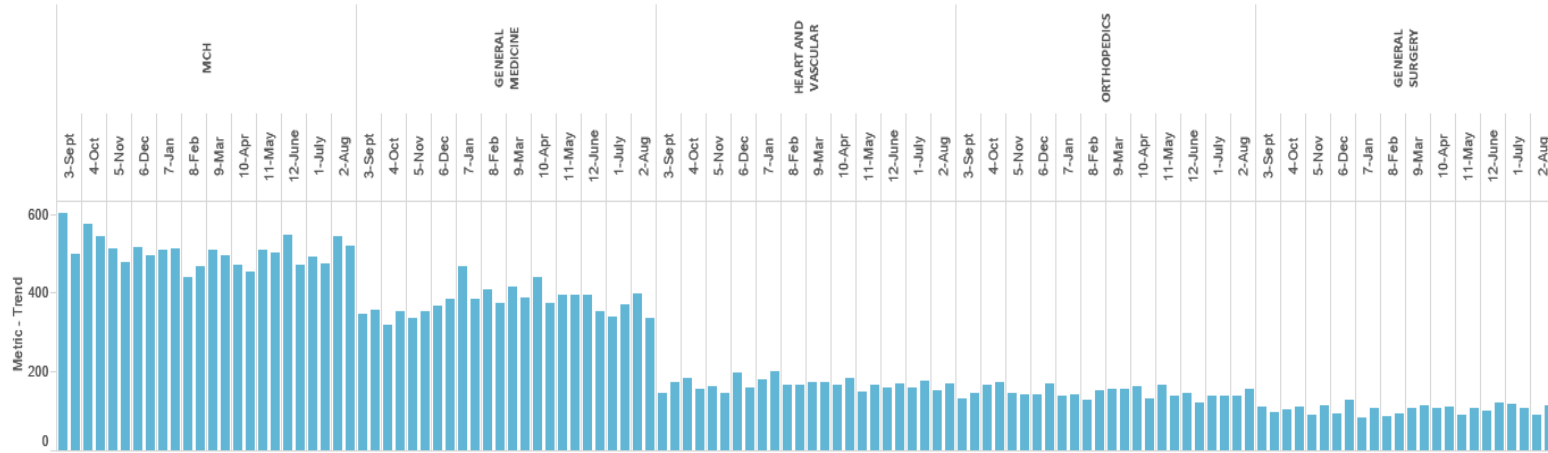
El Camino Hospital Volume Monthly Trends

Prior and Current Fiscal Years

Columns are in PY, CY Order

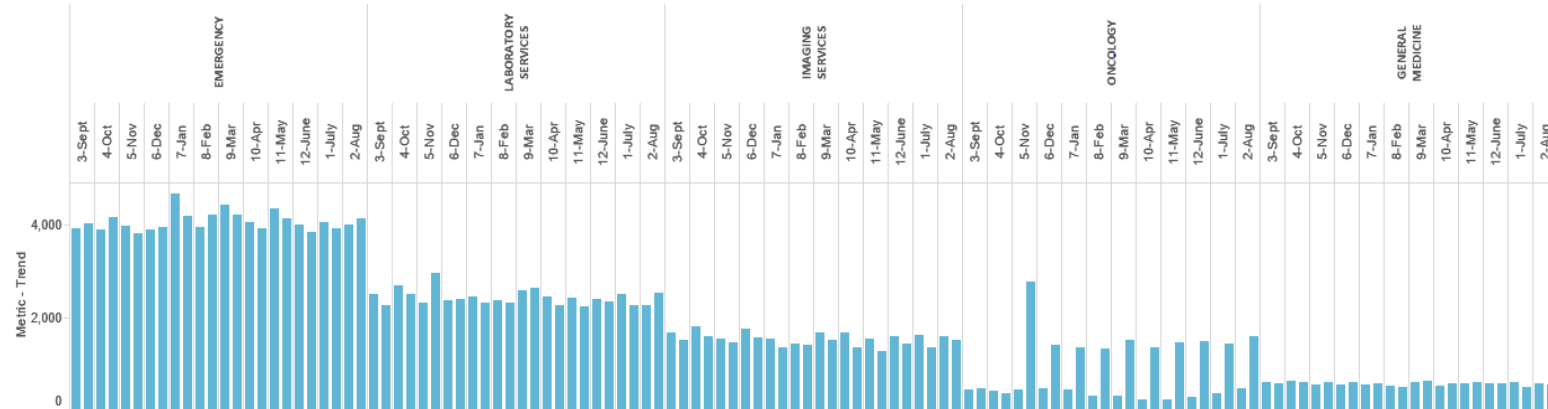
IP

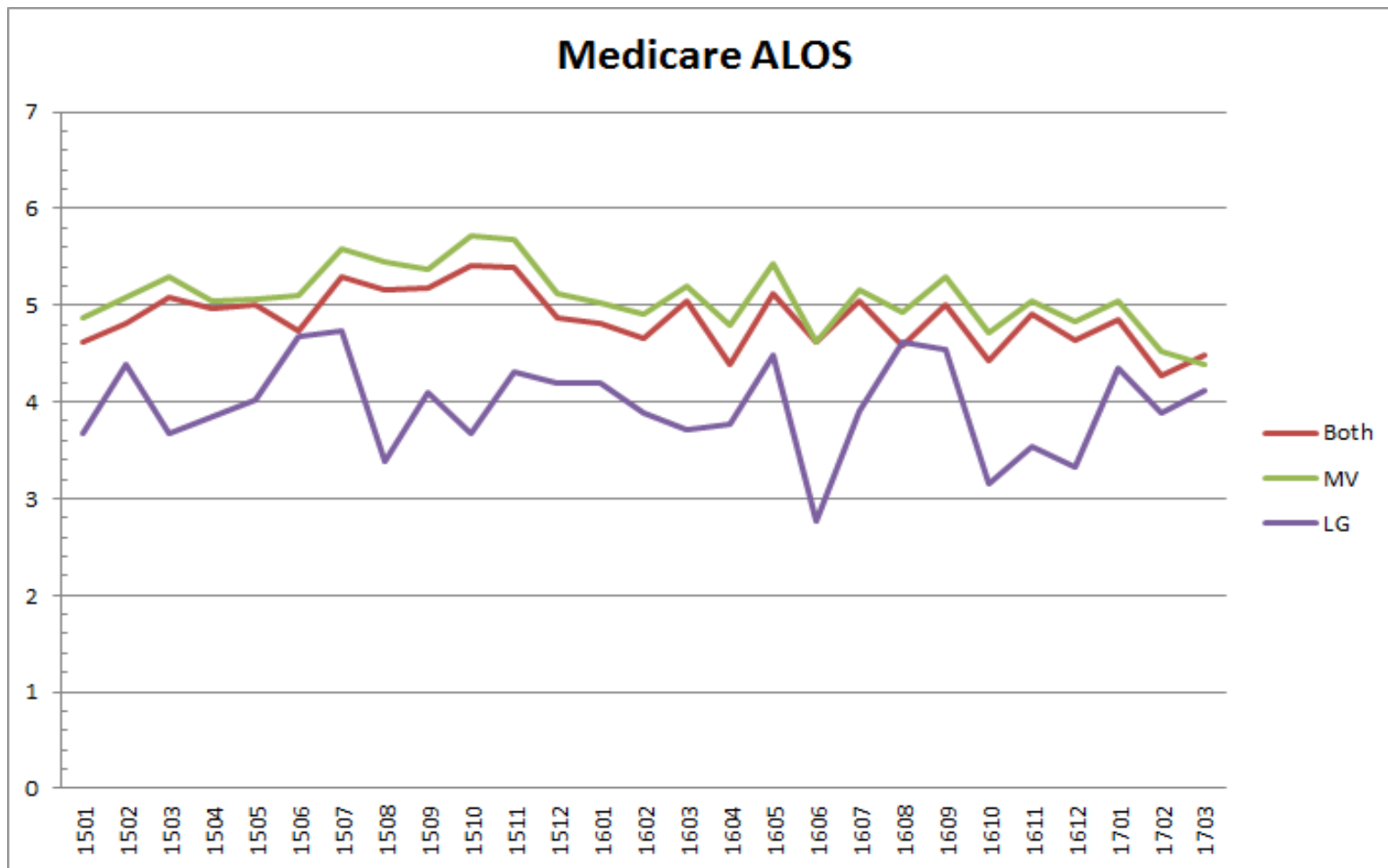
Service Line Trend - clicking on a service line excludes all others. Clicking a second time removes the filter. Filters apply to all graphs below.



OP

Service Line Trend - clicking on a service line excludes all others. Clicking a second time removes the filter. Filters apply to all graphs below.





- Medicare: Due to DRG reimbursement, financial results usually improve with decreased LOS
- Trend shows improvement in ALOS

El Camino Hospital Investment Committee Scorecard

Updated Quarterly

June 30, 2016

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY16 Year-end Budget	Expectation Per Asset Allocation
Investment Performance		2Q 2016		Fiscal Year-to-date		Since Inception (annualized)			Mar 2014/2012
Surplus cash balance & op. cash (millions)		\$727.7	--	--	--	--	--	\$699.8	--
Surplus cash return		1.8%	1.4%	0.1%	0.5%	4.4%	4.4%	4.0%	5.0%
Cash balance plan balance (millions)		\$221.5	--	--	--	--	--	\$224.2	--
Cash balance plan return		1.7%	1.4%	-0.3%	0.4%	7.0%	6.4%	6.0%	6.7%
403(b) plan balance (millions) ¹		\$330.6	--	--	--	--	--	--	--
Risk vs. Return		3-year				Since Inception (annualized)			Mar 2014/2012
Surplus cash Sharpe ratio		0.90	0.93	--	--	1.00	0.98	--	0.66
Net of fee return		4.3%	4.4%	--	--	4.4%	4.4%	--	5.0%
Standard deviation		4.7%	4.7%	--	--	4.4%	4.4%	--	7.2%
Cash balance Sharpe ratio		0.97	0.93	--	--	1.14	1.09	--	0.54
Net of fee return		6.2%	5.7%	--	--	7.0%	6.4%	--	6.7%
Standard deviation		6.4%	6.1%	--	--	6.0%	5.8%	--	10.6%
Asset Allocation		2Q 2016							
Surplus cash absolute variances to target		4.9%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target		4.3%	< 10%	--	--	--	--	--	--
Manager Compliance		2Q 2016							
Surplus cash manager flags		15	< 18	--	--	--	--	--	--
Cash balance plan manager flags		16	< 18	--	--	--	--	--	--

El Camino Hospital

Capital Spending (in millions)

Category	Detail	Approved	Total Estimated Cost of Project	Total Authorized Active	Spent from Inception	FY 17 YTD Spent
CIP	EPIC Upgrade			6.1	0.0	0.0
	IT Hardware, Software, Equipment*			5.4	0.6	0.6
	Medical & Non Medical Equipment FY 16**			4.3	0.0	0.0
	Medical & Non Medical Equipment FY 17			10.3	1.7	1.7
	Facility Projects					
	1307 LG Upgrades	FY13	15.5	17.3	11.3	0.5
	1219 LG Spine OR	FY13	4.1	4.1	2.1	0.9
	1414 Integrated MOB	FY15	232.0	28.0	17.5	3.8
	1413 North Drive Parking Expansion	FY15	15.0	24.5	1.8	0.1
	1245 Behavioral Health Bldg	FY16	62.5	19.0	8.4	1.1
	1248 LG Imaging Phase II (CT & Gen Rad)	FY16	6.8	8.8	1.0	0.4
	1313/1224 LG Rehab HVAC System & Structural	FY16	3.7	3.7	2.7	0.9
	1502 Cabling & Wireless Upgrades	FY16	2.5	2.8	2.1	0.1
	1425 IMOB Preparation Project - Old Main	FY16	2.3	3.0	2.4	1.7
	1430 Women's Hospital Expansion	FY16	91.0	0.0	0.0	0.0
	1422 CUP Upgrade	FY16	4.0	1.5	1.1	0.1
	1503 Willow Pavilion Tomosynthesis	FY16	0.3	1.3	0.1	0.0
	1519/1314 LG Electrical Systems Upgrade	FY16	1.2	0.0	0.0	0.0
	1347 LG Central Sterile Upgrades	FY15	3.7	0.2	0.2	0.0
	1508 LG NICU 4 Bed Expansion	FY16	7.0	0.5	0.0	0.0
	1520 Facilities Planning Allowance	FY16	1.0	0.0	0.0	0.0
	All Other Projects under \$1M		16.2	38.8	34.1	0.5
			468.8	153.4	84.9	10.0
GRAND TOTAL				179.5		12.3

*Excluding EPIC

** Unspent Prior Year routine used as contingency

El Camino Hospital⁽¹⁾

Balance Sheet (Thousands)

ASSETS

	August 31, 2016	Unaudited June 30, 2016
CURRENT ASSETS		
Cash	77,840	59,169
Short Term Investments	111,969	105,284
Patient Accounts Receivable, net	105,506	116,059
Other Accounts and Notes Receivable	3,396	4,369
Intercompany Receivables	1,323	2,200
Inventories and Prepaids	41,770	43,278
Total Current Assets	341,804	330,359
BOARD DESIGNATED ASSETS		
Plant & Equipment Fund	122,219	119,650
Women's Hospital Expansion	8,961	-
Operational Reserve Fund	100,196	100,196
Community Benefit Fund	14,335	13,037
Workers Compensation Reserve Fund	22,348	22,309
Postretirement Health/Life Reserve Fund	18,527	18,256
PTO Liability Fund	22,533	22,984
Malpractice Reserve Fund	1,800	1,800
Catastrophic Reserves Fund	14,848	14,125
Total Board Designated Assets	325,767	312,358
FUNDS HELD BY TRUSTEE	30,883	30,841
LONG TERM INVESTMENTS	213,380	207,597
INVESTMENTS IN AFFILIATES	32,587	31,148
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,175,571	1,171,372
Less: Accumulated Depreciation	(493,619)	(485,856)
Construction in Progress	48,492	46,009
Property, Plant & Equipment - Net	730,444	731,525
DEFERRED OUTFLOWS	26,822	22,518
RESTRICTED ASSETS - CASH	0	0
TOTAL ASSETS	1,701,688	1,666,346

LIABILITIES AND FUND BALANCE

	August 31, 2016	Unaudited June 30, 2016
CURRENT LIABILITIES		
Accounts Payable	22,706	28,519
Salaries and Related Liabilities	25,586	22,992
Accrued PTO	22,533	22,984
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	13,522	11,314
Intercompany Payables	58	105
Malpractice Reserves	1,936	1,936
Bonds Payable - Current	3,635	3,635
Bond Interest Payable	2,734	5,459
Other Liabilities	2,256	2,684
Total Current Liabilities	97,265	101,929
LONG TERM LIABILITIES		
Post Retirement Benefits	18,527	18,256
Worker's Comp Reserve	20,048	20,009
Other L/T Obligation (Asbestos)	3,656	3,637
Other L/T Liabilities (IT/Medl Leases)	-	-
Bond Payable	226,649	226,580
Total Long Term Liabilities	268,880	268,482
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	1,009,776	983,577
Board Designated	325,767	312,358
Restricted	0	0
Total Fund Bal & Capital Accts	1,335,543	1,295,935
TOTAL LIABILITIES AND FUND BALANCE	1,701,688	1,666,346

⁽¹⁾ Hospital entity only, excludes controlled affiliates

APPENDIX

Dashboard - Mountain View

	Annual						Month			YTD		
	2013	2014	2015	2016	2017 Projection	2017 Bud/Target	PY	CY	Bud/Target	PY	CY	Bud/Target
Volume												
Licensed Beds	300	300	300	300	300	300	300	300	300	300	300	300
Acute Patient Days	72,245	71,084	73,360	73,010	70,488	72,687	5,745	5,879	5,853	11,608	11,748	11,729
ADC	198	195	201	199	193	199	185	190	189	187	189	189
Adjusted Acute Discharges	24,366	23,864	24,275	23,759	26,936	24,505	2,151	2,305	2,064	4,326	4,489	4,103
Acute Discharges	14,521	13,852	14,239	14,093	15,516	14,381	1,264	1,308	1,198	2,520	2,586	2,396
Inpatient total												
Acute	14,521	13,852	14,239	14,093	14,034	14,381	1,264	1,174	1,198	2,520	2,339	2,396
Deliveries	4,701	4,550	4,573	4,260	4,338	4,393	370	380	366	722	723	732
BHS	861	857	901	806	900	755	72	80	63	146	150	137
Rehab	0	0	0	0	0	0	0	0	0	0	0	0
OP total												
ED	34,920	35,447	38,443	37,739	39,102	40,208	3,190	3,328	3,351	6,407	6,517	6,702
OP Surg	2,837	3,299	3,428	3,207	3,420	3,447	265	292	287	548	570	574
Endo	1979	2,300	2,365	2,231	1,986	2,320	189	196	193	396	331	386
Interventional	1698	1,900	2,122	2,203	2,094	2,006	160	161	167	332	349	334
All Other	59,478	63,862	62,072	73,407	75,666	77,032	5,256	6,679	6,419	10,315	12,611	12,838
Financial Performance (\$000s)												
Net Revenues	557,533	589,420	603,788	632,800	651,098	640,625	49,762	55,198	52,817	98,224	108,516	103,726
Operating Expenses	516,892	550,736	562,790	607,214	578,909	619,072	48,188	49,350	51,254	95,426	96,485	101,412
Operating Income \$	55,324	56,518	59,684	46,918	91,839	44,036	3,306	7,589	3,421	6,614	15,306	6,098
Operating Margin	9.7%	9.3%	9.6%	7.2%	13.7%	6.6%	6.4%	13.3%	6.3%	6.5%	13.7%	5.7%
EBITDA \$	105,938	105,814	103,637	96,770	141,490	96,900	7,096	11,759	7,781	14,076	23,582	14,836
EBITDA %	18.5%	17.4%	16.6%	14.8%	21.1%	14.6%	13.8%	20.7%	14.2%	13.8%	21.1%	13.8%
IP Margin												
OP Margin												
Payor Mix												
Medicare	42.0%	44.0%	46.4%	46.2%	47.1%	45.0%	44.1%	47.5%	45.0%	44.0%	47.1%	45.0%
Medi-Cal	5.4%	6.5%	7.1%	7.9%	7.3%	8.3%	8.7%	7.0%	8.3%	8.7%	7.3%	8.3%
Commercial IP	28.6%	25.7%	24.2%	23.6%	22.6%	23.6%	24.2%	23.2%	23.6%	23.9%	22.6%	23.6%
Commercial OP	19.2%	18.9%	18.4%	18.6%	19.8%	19.1%	19.2%	19.8%	19.1%	19.6%	19.8%	19.1%
Total Commercial	47.8%	44.6%	42.6%	42.2%	42.4%	42.7%	43.4%	43.0%	42.7%	43.4%	42.4%	42.7%
Other	4.8%	4.9%	3.9%	3.7%	3.2%	4.0%	3.8%	2.5%	4.0%	3.9%	3.2%	4.0%
Cost												
Employees	1,901.0	2,027.6	2,029.9	2,163.0	2,054.6	2,123.0	2,160.1	2,047.6	2,105.6	2,151.8	2,054.6	2,079.3
Hrs/APD	29.58	30.16	29.60	30.97	30.49	32.07	32.05	30.18	32.35	31.46	30.49	32.07

Dashboard - Los Gatos

	Annual						Month			YTD		
	2013	2014	2015	2016	2017 Projection	2017 Bud/Target	PY	CY	Bud/Target	PY	CY	Bud/Target
Volume												
Licensed Beds	143	143	143	143	143	143	143	143	143	143	143	143
ADC	42	43	45	43	40	46	52	38	45	46	40	45
Adjusted Acute Discharges	4,544	4,737	4,778	4,599	4,507	4,942	449	392	414	917	751	826
Acute Discharges	2,722	2,742	2,813	2,726	2,556	2,904	275	221	242	479	426	484
Inpatient total												
Acute	2,722	2,742	2,813	2,726	2,556	2,904	275	221	242	479	426	484
Deliveries	771	823	700	656	588	662	76	47	55	129	98	110
BHS	0	0	0	0	0	0	0	0	0	0	0	0
Rehab	525	547	555	500	558	570	50	47	48	89	93	96
OP total												
ED	10,605	10,609	10,687	10,922	10,692	11,045	914	921	920	1,796	1,782	1,840
OP Surg	3,015	3,104	3,060	2,867	2,772	2,557	263	247	213	527	462	522
Endo	263	192	155	91	12	159	10	1	13	24	2	26
Interventional	11	17	22	24	42	43	3	7	4	4	7	8
All Other	4,874	5,477	5,759	7,266	8,154	8,223	422	696	685	905	1,359	1,370
Financial Performance (\$000s)												
Net Revenues	128,794	131,702	142,858	139,221	141,030	148,960	13,051	11,637	12,460	23,784	23,505	24,498
Operating Expenses	115,461	118,944	126,841	135,830	131,492	139,735	11,431	11,075	11,732	22,357	21,915	22,964
Operating Income \$	13,802	13,787	18,436	5,695	11,586	11,801	1,837	735	934	1,834	1,931	1,950
Operating Margin	10.7%	10.4%	12.7%	4.0%	8.1%	7.8%	13.8%	6.2%	7.4%	7.6%	8.1%	7.8%
EBITDA \$	18,784	19,440	24,365	11,784	18,050	19,011	2,334	1,272	1,469	2,782	3,008	3,022
EBITDA %	14.5%	14.6%	16.8%	8.3%	12.6%	12.5%	17.6%	10.8%	11.6%	11.5%	12.6%	12.1%
IP Margin												
OP Margin												
Payor Mix												
Medicare	45.5%	44.0%	46.1%	48.2%	53.6%	47.5%	45.8%	54.1%	47.5%	46.6%	53.6%	47.5%
Medi-Cal	2.9%	3.5%	4.3%	5.1%	4.0%	4.7%	4.6%	4.5%	4.7%	4.8%	4.0%	4.7%
Commercial IP	25.3%	25.9%	23.8%	21.4%	17.9%	22.2%	25.7%	15.5%	22.2%	24.1%	17.9%	22.2%
Commercial OP	17.0%	19.1%	20.0%	19.4%	20.6%	20.2%	19.6%	21.2%	20.2%	20.2%	20.6%	20.2%
Total Commercial	42.3%	45.0%	43.8%	40.8%	38.5%	42.4%	45.3%	36.6%	42.4%	44.4%	38.5%	42.4%
Other	9.3%	7.5%	5.8%	5.9%	3.9%	5.5%	4.5%	4.7%	5.5%	4.3%	3.9%	5.5%
Cost												
Employees	388.0	408.1	422.6	421.8	414.2	420.4	442.5	410.0	427.4	431.3	414.2	420.4
Hrs/APD	29.13	27.65	28.00	29.34	28.84	27.66	26.50	29.54	28.01	27.44	28.84	27.66

El Camino Hospital – Mountain View (\$000s)⁽¹⁾

2 month ending 8/31/2016

PERIOD 2 FY 2016	PERIOD 2 FY 2017	PERIOD 2 Budget 2017	Variance Fav (Unfav)	Var%		YTD FY 2016	YTD FY 2017	YTD Budget 2017	Variance Fav (Unfav)	Var%
					\$000s					
					OPERATING REVENUE					
179,873	202,034	196,921	5,112	2.6%	Gross Revenue	358,892	395,665	386,747	8,918	2.3%
(130,110)	(146,835)	(144,104)	(2,731)	1.9%	Deductions	(260,668)	(287,148)	(283,021)	(4,127)	1.5%
49,762	55,198	52,817	2,381	4.5%	Net Patient Revenue	98,224	108,516	103,726	4,791	4.6%
1,731	1,741	1,858	(117)	-6.3%	Other Operating Revenue	3,815	3,275	3,784	(509)	-13.5%
51,493	56,939	54,675	2,264	4.1%	Total Operating Revenue	102,040	111,791	107,510	4,282	4.0%
					OPERATING EXPENSE					
28,774	29,865	31,239	1,374	4.4%	Salaries & Wages	57,947	59,405	61,495	2,090	3.4%
7,944	8,235	8,003	(232)	-2.9%	Supplies	16,034	15,316	15,934	618	3.9%
6,024	6,034	6,509	475	7.3%	Fees & Purchased Services	12,023	11,686	13,396	1,710	12.8%
1,655	1,045	1,143	98	8.5%	Other Operating Expense	1,959	1,803	1,849	46	2.5%
450	612	602	(10)	-1.7%	Interest	900	1,229	1,204	(25)	-2.0%
3,340	3,558	3,758	200	5.3%	Depreciation	6,562	7,046	7,534	488	6.5%
48,188	49,350	51,254	1,904	3.7%	Total Operating Expense	95,426	96,485	101,412	4,927	4.9%
3,306	7,589	3,421	4,168	121.8%	Net Operating Income/(Loss)	6,614	15,306	6,098	9,209	151.0%
(17,034)	4,963	933	4,030	432.1%	Non Operating Income	(15,768)	16,335	1,866	14,469	775.5%
(13,728)	12,553	4,354	8,198	188.3%	Net Income(Loss)	(9,154)	31,641	7,964	23,678	297.3%
11.4%	18.5%	11.9%	6.5%		EBITDA	11.3%	18.9%	11.5%	7.4%	
6.4%	13.3%	6.3%	7.1%		Operating Margin	6.5%	13.7%	5.7%	8.0%	
-26.7%	22.0%	8.0%	14.1%		Net Margin	-9.0%	28.3%	7.4%	20.9%	

⁽¹⁾ Hospital only, excludes controlled affiliates

El Camino Hospital – Los Gatos(\$000s) ⁽¹⁾

2 month ending 8/31/2016

PERIOD 2 FY 2016	PERIOD 2 FY 2017	PERIOD 2 Budget 2017	Variance Fav (Unfav)	Var%
44,537	41,551	45,120	(3,568)	-7.9%
(31,486)	(29,915)	(32,660)	2,745	-8.4%
13,051	11,637	12,460	(823)	-6.6%
217	173	206	(33)	-16.0%
13,268	11,810	12,666	(856)	-6.8%
6,166	5,890	6,342	452	7.1%
1,923	1,602	1,780	178	10.0%
1,312	1,428	1,245	(183)	-14.7%
1,533	1,617	1,829	212	11.6%
0	0	0	0	0.0%
498	537	535	(1)	-0.2%
11,431	11,075	11,732	657	5.6%
1,837	735	934	(199)	-21.3%
0	(10)	0	(10)	0.0%
1,837	724	934	(209)	-22.4%
27.0%	21.4%	21.5%	-0.1%	
13.8%	6.2%	7.4%	-1.2%	
13.8%	6.1%	7.4%	-1.2%	

\$000s
OPERATING REVENUE
Gross Revenue
Deductions
Net Patient Revenue
Other Operating Revenue
Total Operating Revenue
OPERATING EXPENSE
Salaries & Wages
Supplies
Fees & Purchased Services
Other Operating Expense
Interest
Depreciation
Total Operating Expense
Net Operating Income/(Loss)
Non Operating Income
Net Income(Loss)

YTD FY 2016	YTD FY 2017	YTD Budget 2017	Variance Fav (Unfav)	Var%
82,483	79,183	88,712	(9,530)	-10.7%
(58,699)	(55,678)	(64,215)	8,537	-13.3%
23,784	23,505	24,498	(993)	-4.1%
407	341	416	(75)	-18.0%
24,191	23,846	24,914	(1,068)	-4.3%
12,106	11,864	12,432	568	4.6%
3,548	2,962	3,517	555	15.8%
2,654	2,775	2,554	(221)	-8.7%
3,051	3,237	3,389	152	4.5%
0	0	0	0	0.0%
998	1,077	1,072	(5)	-0.5%
22,357	21,915	22,964	1,049	4.6%
1,834	1,931	1,950	(19)	-1.0%
0	(10)	0	(10)	0.0%
1,834	1,921	1,950	(30)	-1.5%
22.0%	23.1%	22.2%	0.9%	
7.6%	8.1%	7.8%	0.3%	
7.6%	8.1%	7.8%	0.2%	

⁽¹⁾ Hospital only, excludes affiliates

El Camino Hospital Capital Spending (in thousands) FY 2012 – FY 2016

Category	2012	2013	2014	2015	2016
IT Hardware/Software Equipment	7,289	8,019	2,788	4,660	6,483
Medical/Non Medical Equipment	11,203	10,284	12,891	13,340	11,846
Non CIP Land, Land I, BLDG, Additions	7,311	0	22,292	0	30,274

Facilities Projects CIP

0101 - Hosp Replace	313	0	0	0	0
0317 - Melchor TI's	117	0	0	0	0
0701 - Cyberknife	0	0	0	0	0
0704 - 1 South Upgrade	2	0	0	0	0
0802 - Willow Pavillion Upgrades	0	0	0	0	0
0805 - Women's Hospital Finishes	0	0	0	0	0
0809 - Hosp Renovations	0	0	0	0	0
0815 - Orc Pav Water Heater	0	0	0	0	0
0816 - Hospital Signage	0	0	0	0	0
0904 - LG Facilities Upgrade	41	2	0	0	0
0907 - LG Imaging Masterplan	162	244	774	1,402	17
1000 - LG Rehab Building	0	0	0	0	0
1104 - New Main CDU TV's	0	0	0	0	0
9900 - Unassigned Costs	279	734	470	3,717	0
0803 - Park Pav Foundation	270	0	0	0	0
1005 - LG OR Light Upgrd	108	14	0	0	0
1101 - Melchor Pavilion - Genomics	0	0	0	0	0
1102 - LG Joint Hotel	657	0	0	0	0
1106 - SHC Project	2,245	0	0	0	0
1108 - Cooling Towers	932	450	0	0	0
1115 - Womens Hosp TI's	50	0	0	0	0
1118 - Park Pav Roto Care	119	0	0	0	0
1120 - BHS Out Patient TI's	472	66	0	0	0
1122 - LG Sleep Studies	147	7	0	0	0
1129 - Old Main Card Rehab	400	9	0	0	0
0817 - Womens Hosp Upgrds	1,242	645	1	0	0
0906 - Slot Build-Out	0	1,003	1,576	15,101	1,251
1107 - Boiler Replacement	49	0	0	0	0
1109 - New Main Upgrades	589	423	393	2	0
1111 - Mom/Baby Overflow	267	212	29	0	0
1129 - Cardic Rehab Improv	0	0	0	0	0
1132 - Pneumatic Tube Prj	78	0	0	0	0
1204 - Elevator Upgrades	24	25	30	0	0
1210 - Los Gatos VOIP	1	147	89	0	0
0800 - Womens L&D Expansion	129	2,104	1,531	269	0
1116 - LG Ortho Pavillion	44	177	24	21	0
1124 - LG Rehab BLDG	11	49	458	0	0
1128 - LG Boiler Replacement	3	0	0	0	0
1131 - MV Equipment Replace	190	216	0	0	0
1135 - Park Pavilion HVAC	47	0	0	0	0
1208 - Willow Pav. High Risk	0	110	0	0	0
1213 - LG Sterilizers	0	102	0	0	0
1225 - Rehab BLDG Roofing	0	7	241	4	0
1227 - New Main eICU	0	96	21	0	0
1230 - Fog Shop	0	339	80	0	0
1247 - LG Infant Security	0	134	0	0	0
1307 - LG Upgrades	0	376	2,979	3,282	3,511
1308 - LG Infrastructure	0	0	114	0	0
1313 - LG Rehab HVAC System/Structural	0	0	0	0	1,597
1315 - 205 So. Drive TI's	0	0	500	2	0
0908 - NPCR3 Seismic Upgrds	554	1,302	1,224	1,328	240

Category	2012	2013	2014	2015	2016
Facilities Projects CIP cont.					
1125 - Will Pav Fire Sprinkler	9	57	39	0	0
1211 - SIS Monitor Install	0	215	0	0	0
1216 - New Main Process Imp Office	0	19	1	16	0
1217 - MV Campus MEP Upgrades FY13	0	0	181	274	28
1219 - LG Spine OR	0	0	214	323	633
1221 - LG Kitchen Refrig	0	0	85	0	0
1224 - Rehab Bldg HVAC Upgrades	0	11	202	81	14
1245 - Behavioral Health Bldg Replace	0	0	1,257	3,775	1,389
1248 - LG - CT Upgrades	0	0	26	345	197
1249 - LG Mobile Imaging	0	0	146	0	0
1301 - Desktop Virtual	0	0	13	0	0
1304 - Rehab Wander Mgmt	0	0	87	0	0
1310 - Melchor Cancer Center Expansion	0	0	44	13	0
1318 - Women's Hospital TI	0	0	48	48	29
1327 - Rehab Building Upgrades	0	0	0	15	20
1320 - 2500 Hosp Dr Roofing	0	0	75	81	0
1328 - LG Ortho Canopy FY14	0	0	255	209	0
1340 - New Main ED Exam Room TVs	0	0	8	193	0
1341 - New Main Admin	0	0	32	103	0
1344 - New Main AV Upgrd	0	0	243	0	0
1345 - LG Lab HVAC	0	0	112	0	0
1346 - LG OR 5, 6, and 7 Lights Replace	0	0	0	285	53
1347 - LG Central Sterile Upgrades	0	0	0	181	43
1400 - Oak Pav Cancer Center	0	0	0	5,208	666
1403 - Hosp Drive BLDG 11 TI's	0	0	86	103	0
1404 - Park Pav HVAC	0	0	64	7	0
1405 - 1-South Accessibility Upgrades	0	0	0	0	168
1408 - New Main Accessibility Upgrades	0	0	0	7	46
1413 - North Drive Parking Structure Exp	0	0	0	167	1,266
1414 - Integrated MOB	0	0	0	2,009	8,875
1415 - Signage & Wayfinding	0	0	0	0	106
1416 - MV Campus Digital Directories	0	0	0	0	34
1421 - LG MOB Improvements	0	0	0	198	65
1422 - CUP Upgrade	0	0	0	0	896
1423 - MV MOB TI Allowance	0	0	0	0	588
1425 - IMOB Preparation Project - Old Mai	0	0	0	0	711
1429 - 2500 Hospital Dr Bldg 8 TI	0	0	0	101	0
1432 - 205 South Dr BHS TI	0	0	0	8	15
1501 - Women's Hospital NPC Comp	0	0	0	4	0
1502 - Cabling & Wireless Upgrades	0	0	0	0	1,261
1503 - Willow Pavilion Tomosynthesis	0	0	0	0	53
1504 - Equipment Support Infrastructure	0	0	0	61	311
1523 - Melchor Pavilion Suite 309 TI	0	0	0	0	10
1526 - CONCERN TI	0	0	0	0	37
1550 - Land Acquisition	0	0	0	0	24,007
Subtotal Facilities Projects CIP	9,553	9,294	13,753	38,940	48,136
Grand Total	35,357	27,598	51,723	56,940	96,739
Forecast at Beginning of year	47,138	70,503	70,037	65,420	114,025

ATTACHMENT 5



2016 Audit Results

COMMUNICATION WITH THOSE IN CHARGE OF GOVERNANCE

El Camino Healthcare District (consolidated)

JUNE 30, 2016

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

Agenda

- Auditor Opinion and Report
- Communication with *Those Charged with Governance*
- Other Information





Auditor Opinion & Report

MOSS ADAMS_{LLP}
Certified Public Accountants | Business Consultants

Scope of Services



We have performed the following services for El Camino Healthcare District:

- Annual consolidated financial statement audit for the year ended June 30, 2016
- Annual El Camino Hospital Foundation financial statement audit for the year ended June 30, 2016
- Annual CONCERN: EAP financial statement audit for the year ended June 30, 2016
- Annual El Camino Hospital Auxiliary financial statement audit for the year ended June 30, 2016

Auditor Report on the Consolidated Financial Statement

Unmodified Opinion

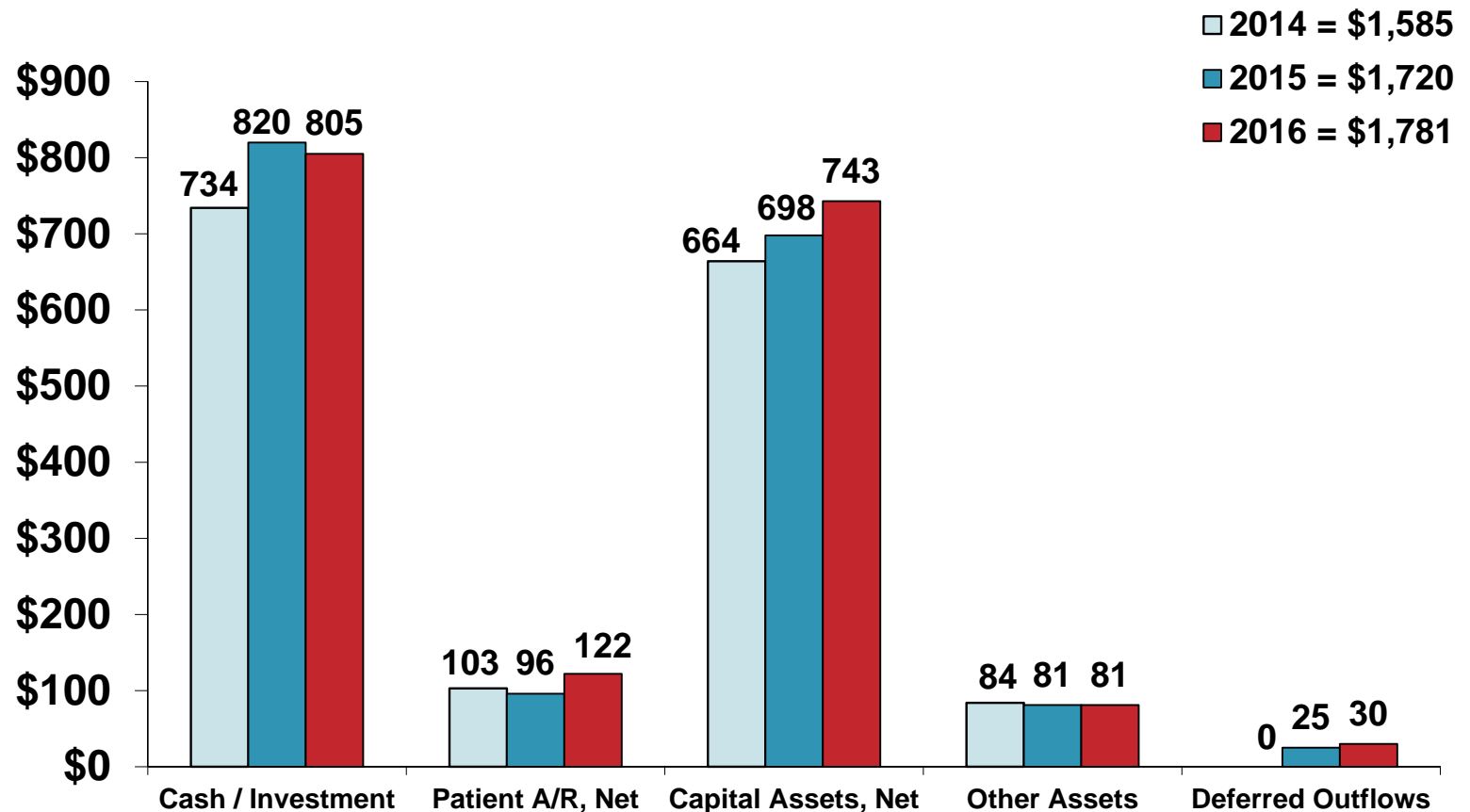
- Consolidated financial statements are presented fairly and in accordance with U.S. GAAP



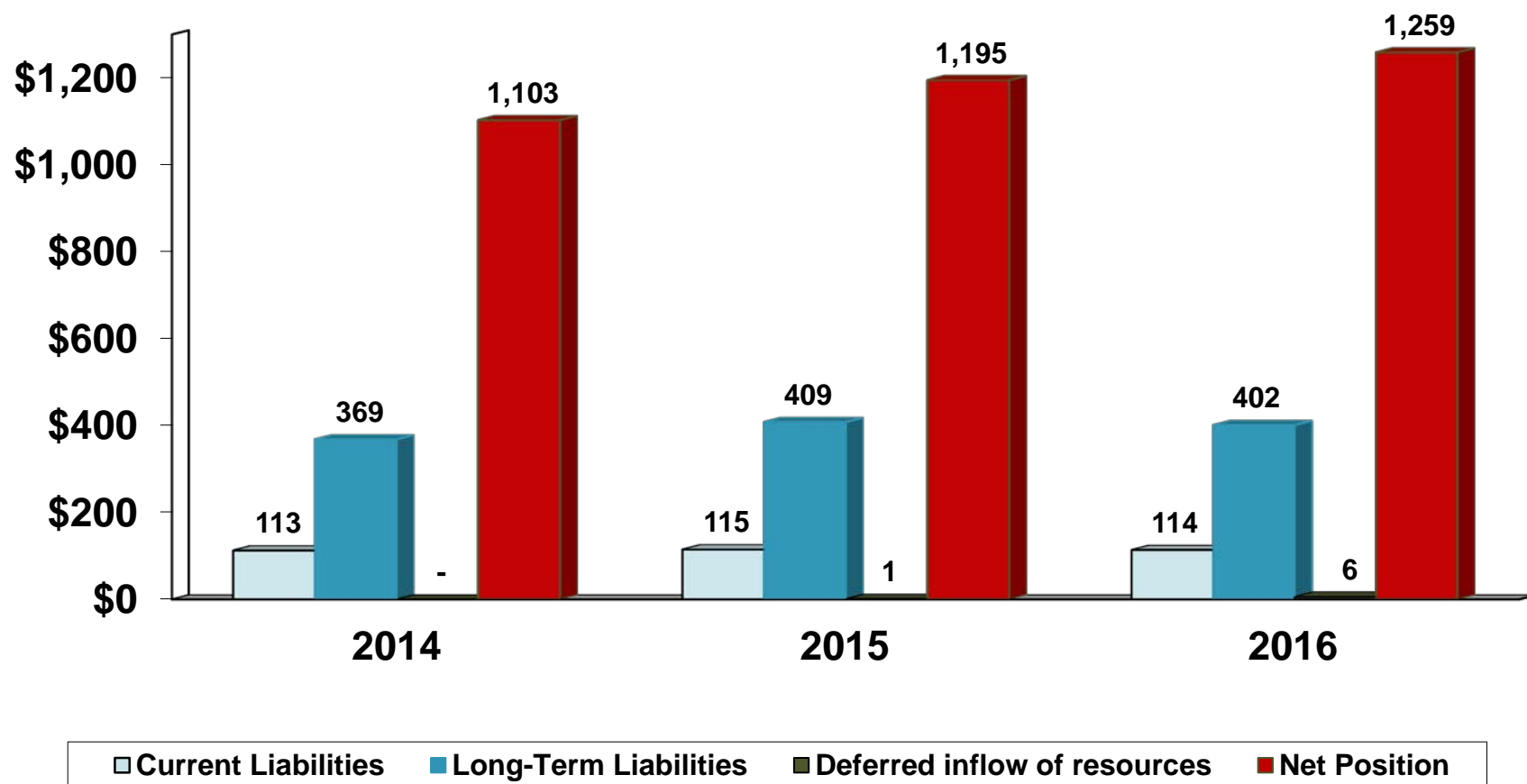


Statements of Net Position

Asset and Deferred Outflows (in millions)

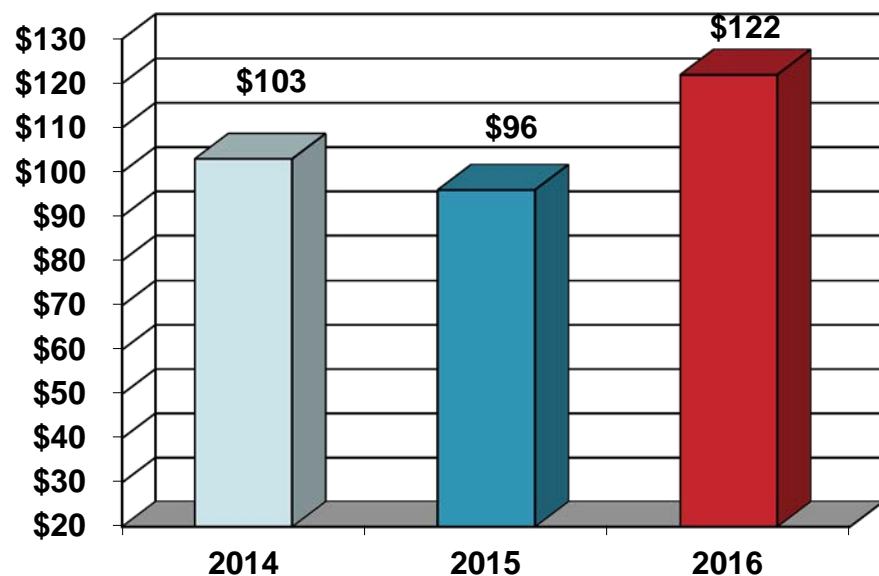


Liabilities, Deferred Inflows, and Net Position (in millions)

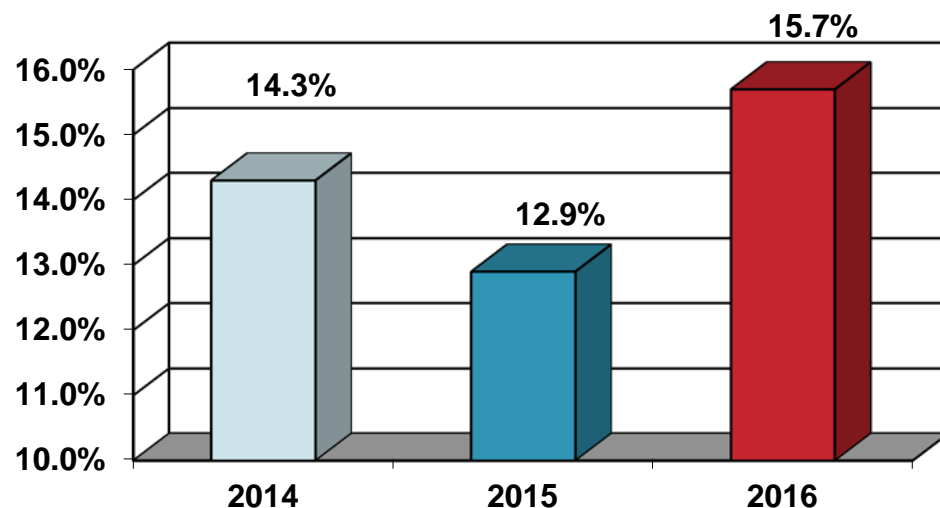


Net Patient Service Accounts Receivable

Dollars (in millions)



% Net Revenues





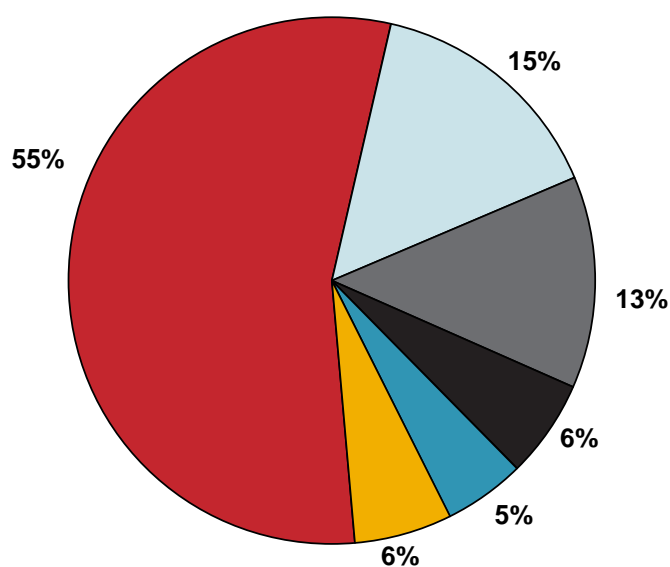
Operations

Income Statements (in thousands)

Year to year comparison

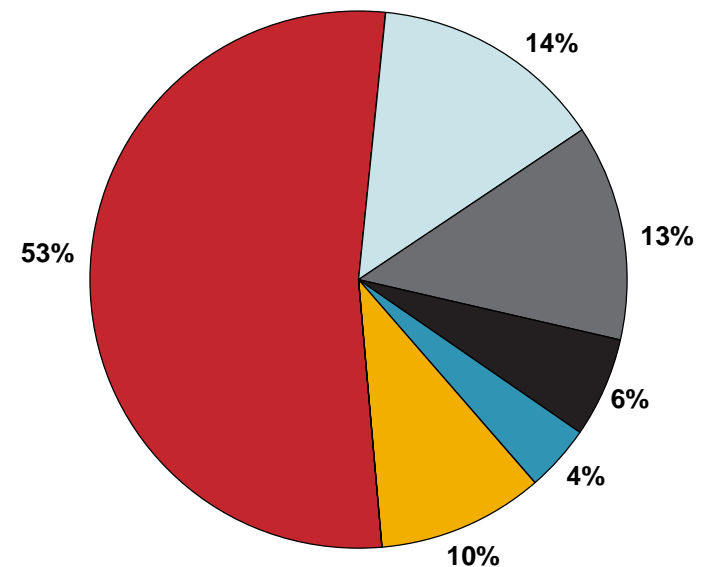
Total Operating Revenues


June 30, 2016
\$806,410



- Salaries, Wages, and Benefits
- Supplies
- Professional Fees and Purchased Services
- Depreciation and Amortization
- Other Expenses
- Operating Income

June 30, 2015
\$776,475





Communication with *Those Charged with Governance*

Our Responsibility Under US Generally Accepted Auditing Standards

1 To express our opinion on whether the consolidated financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with U.S. GAAP. However, our audit does not relieve you or management of your responsibilities.

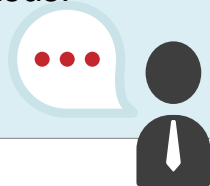
2 To perform an audit in accordance with generally accepted auditing standards issued by the AICPA, and design the audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement.

3 To consider internal control over financial reporting and internal control over compliance as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.

4 To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Significant Accounting Policies & Unusual Transactions

The auditor should determine that the Compliance Committee is informed about the initial selection of and changes in significant accounting policies or their application. The auditor should also determine that the Compliance Committee is informed about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.



Our Comments

- Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in footnote 1 to the consolidated financial statements. Throughout the course of an audit, we review changes, if any, to significant accounting policies or their application, and the initial selection and implementation of new policies. There were no changes to significant accounting policies for the year ended June 30, 2016.
- We believe management has selected and applied significant accounting policies appropriately and consistent with those of the prior year.

Management Judgments & Accounting Estimates



The Compliance Committee should be informed about the process used by management in formulating particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.

Our Comments

- Management's judgments and accounting estimates are based on knowledge and experience about past and current events and assumptions about future events. We apply audit procedures to management's estimates to ascertain whether the estimates are reasonable under the circumstances and do not materially misstate the financial statements.
- Significant management estimates impacting the financial statements include the following: **net patient service revenue, provision for uncollectible accounts, fair market values of investments, uninsured losses for professional liability, minimum pension liability, liability for workers' compensation claims, liability for post-retirement medical benefits, valuation of gift annuities and beneficial interest in charitable remainder unitrusts, and useful lives of capital assets**
- We deemed them to be reasonable.

Management Judgments & Accounting Estimates



Our views about qualitative aspects of the entity's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures.

Our Comments

- The disclosures in the consolidated financial statements are clear and consistent. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users, however we do not believe any of the footnotes are particularly sensitive. We call your attention to the following notes:
 - Note 13 – Related Party Transactions
 - Note 2 – Significant concentration of net patient accounts receivable
 - Note 5 – Fair value of investments
 - Note 6 – Capital assets
 - Note 7 – employee benefit plans
 - Note 8 – post-retirement medical benefits
 - Note 9 – insurance plans
 - Note 10 – long-term debt
 - Note 14 – commitment and contingencies

Significant Audit Adjustments & Unadjusted Differences Considered by Management To Be Immaterial



The Compliance Committee should be informed of all significant audit adjustments arising from the audit. Consideration should be given to whether an adjustment is indicative of a significant deficiency or a material weakness in the District's internal control over financial reporting, or in its process for reporting interim financial information, that could cause future consolidated financial statements to be materially misstated.

The Compliance Committee should also be informed of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the consolidated financial statements as a whole.

Our Comments

- There were no corrected or uncorrected audit adjustments.



Deficiencies in Internal Control

Any material weaknesses and significant deficiencies in the design or operation of internal control that came to the auditor's attention during the audit must be reported to the Compliance Committee.

Our Comments

- Material weakness
 - None noted
- Significant deficiencies
 - Nothing to communicate
- Internal control related matters
 - See AUC-265 letter

Difficulties Encountered in Performing the Audit



The Compliance Committee should be informed of any significant difficulties encountered in dealing with management related to the performance of the audit, including disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the District's consolidated financial statements, or the auditor's report.

Our Comments

- No significant difficulties were encountered during our audit.
- We are pleased to report that there were no disagreements with management.

Management's Consultation with Other Accountants

In some cases, management may decide to consult about auditing and accounting matters. If management has consulted with other accountants about an auditing and accounting matter that involves application of an accounting principle to the District's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

Our Comments

- We are not aware of any significant accounting or auditing matters for which management consulted with other accountants.





Accounting Update

Accounting Update

Adopted in 2016

GASB 72

- Fair Value Measurement and Application

GASB 81

- Irrevocable Split Interest Agreements

GASB 79

- Certain External Investment Pools and Pool Participants

Coming Soon

GASB 80 – *effective June 30, 2018*

- Blending Requirements for Certain Component Units

GASB 76 – *effective June 30, 2017*

- The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

GASB 75 – *effective June 30, 2018*

- Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

GASB 74 – *effective June 30, 2017*

- Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

GASB 77 – *effective June 30, 2017*

- Tax Abatement Disclosures

Joelle Pulver

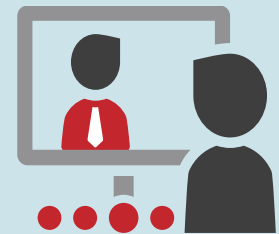
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209.955.6114



MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

Att. 05b Final Draft, Report and Consolidated Financials

FINAL DRAFT

Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

El Camino Healthcare District

June 30, 2016 and 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

**EL CAMINO HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2016, 2015, and 2014**

During fiscal year 2013, El Camino Hospital District changed its name to become more transparent in the public eye, to El Camino Healthcare District (the "District"), to make a sharper distinction between the taxpayer-funded District and the operations of El Camino Hospital (the "Hospital") and its subsidiaries.

The District is comprised of six (6) entities: the District, the Hospital, El Camino Hospital Foundation (the "Foundation"), CONCERN: Employee Assistance Program ("CONCERN"), El Camino Surgery Center ("ECSC"), and Silicon Valley Medical Development, LLC ("SVMD").

Effective May 6, 2013, ECSC sold certain medical equipment, furnishings, fixtures, inventories, and other tangible personal property in exchange for a seven and one half percent (7.5%) interest in El Camino Ambulatory Surgery Center, ("ECASC"). As of March 2015, ECSC's interest in ECASC has increased to 33.4%. ECSC has provided a working capital line of credit to ECASC in a principal amount of \$750,000 represented by a Promissory Note and has a term of 39 months with an interest rate of 5% per annum. At June 30, 2016 and 2015, there were total draws of \$483,521 and \$414,083 against the line of credit, respectively. The Hospital leases the space to ECASC and provides certain services, such as utilities and building/equipment maintenance. There was \$702,000 of rental income recorded for the year ended June 30, 2016, and \$717,000 of rental income recorded for the year ended June 30, 2015, related to the lease. On August 29, 2016, ECSC paid off the line of credit of \$483,000.

Silicon Valley Medical Development, LLC is organized as a California limited liability company and was formed in 2008. SVMD was established by the Hospital to create initiatives between the independent physicians and the Hospital, to develop and maintain ambulatory ventures not located on the current Hospital campuses, and to provide management services to medical groups in association with the Hospital. In the last quarter of 2016, SVMD opened its first Primary Care Clinic in the San Jose area and anticipates opening approximately two or three other clinics in fiscal year 2017. SVMD is also planning to open three Urgent Care Clinics and a Women's Heart and Vascular Clinic by the end of fiscal year 2018 in the services areas surrounding the Hospital campuses.

Overview of the Consolidated Financial Statements

This annual report consists of the consolidated financial statements and notes to those statements. These statements are organized to present the District as a whole, including all the entities it controls. Financial information for each separate entity is shown in the supplemental schedules on the last pages of the report. In accordance with the Governmental Accounting Standards Board ("GASB") Codification Section 2200, *Comprehensive Annual Financial Report*, the District presents comparative financial highlights for the fiscal years ended June 30, 2016, 2015, and 2014. This discussion and analysis should be read in conjunction with the consolidated financial statements in this report.

The consolidated statements of net position, the consolidated statements of revenues, expenses, and changes in net position, and consolidated statements of cash flows provide an indication of the District's financial health. The consolidated statements of net position include all the District's assets and liabilities, using the accrual basis of accounting. The consolidated statements of revenues, expenses, and changes in net position report all of the revenues and expenses during the time periods indicated. The consolidated statements of cash flows report the cash provided by the operating activities, as well as other cash sources such as investment income and cash payments for capital additions and improvements.

Consolidated Financial Highlights

Year Ended June 30, 2016

- During 2016 the Hospital completed an 18-month implementation of the replacement of its previous electronic healthcare patient record system with a state-of-the-art system purchased from the Epic Corporation. Internally known as "iCare" the new system went "live" as scheduled in November 2015. As of the end of fiscal year, the Hospital had a capital investment in the new system of \$57 million and training expense of employees and medical staff in excess of \$8 million, not including outside staff to back-fill

positions to allow the training and needed support after go-live to stabilize the system and make changes to processes/workflows.

- The Hospital acquired a 16 acre parcel of undeveloped land in the South San Jose area in the amount of \$24 million. The Hospital is exploring partnerships with medical groups to co-develop the property for acute healthcare needs in the area sometime in the future.
- The increase in the net position for 2016 was \$64.1 million, which was a significant challenge given the go-live expenses of iCare. The ending net position for fiscal year 2016 was \$1.3 billion.

Year Ended June 30, 2015

- The increase in net position for 2015 was \$91.6 million over fiscal year 2014, creating an ending net position of \$1.2 billion at year end.
- In May 2015, the Hospital issued \$160.5 million of Revenue Bonds (Series 2015A) to (i) finance certain capital expenditures owned by the Hospital (the Project - \$40.3 million), (ii) advance refund (\$120.2 million) the Santa Clara County Financing Authority Insured Revenue Bonds of the Hospital Series 2007A, 2007B, and 2007C, and (iii) pay costs incurred in the connection of the issuance of the Bonds.

The advance refunding of the Series 2007A, 2007B, and 2007C Bonds provides a net present value savings over the life of the Bonds of \$13.5 million, which over the Bonds life produces a total reduction of \$26.3 million in interest expense.

- Income from operations contributed \$75.6 million. Nonoperating income added another \$25.1 million that was primarily due to property taxes received by the El Camino Healthcare District and net investment incomes. The District funded various community benefit programs in its service area for \$8 million during the year.

EL CAMINO HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2016, 2015, and 2014

Summary of Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position
As of June 30, 2016, 2015 and 2014

(In Thousands)

	2016	2015	2014
Assets:			
Current assets	\$ 411,110	\$ 413,799	\$ 415,893
Board designated and restricted funds, net of current portion	491,544	474,888	422,119
Funds held by trustee, net of current portion	46,293	50,081	19,418
Capital assets, net	743,127	698,436	663,650
Other assets	59,399	57,885	64,235
Total assets	1,751,473	1,695,089	1,585,315
Deferred Outflows:			
Loss on defeasance of debt	14,764	15,364	-
Deferred outflow of resources	5,100	7,200	-
Deferred outflow - actuarial	9,950	2,654	-
Total deferred outflows	29,814	25,218	-
Total assets and deferred outflows	\$ 1,781,287	\$ 1,720,307	\$ 1,585,315
Liabilities:			
Current liabilities	\$ 114,239	\$ 115,252	\$ 113,325
Bonds payable, net of current portion	349,336	358,906	316,991
Other long-term liabilities	52,220	50,249	50,573
Total liabilities	515,795	524,407	480,889
Deferred Inflows:			
Deferred inflow of resources	3,596	1,015	1,171
Deferred inflow - actuarial	2,892	-	-
Total deferred inflows	6,488	1,015	1,171
Net position:			
Unrestricted and invested in capital assets, net	1,244,697	1,185,190	1,096,477
Restricted by donors - charity and other	11,599	7,460	4,993
Restricted - endowments	2,708	2,235	1,785
Total net position	1,259,004	1,194,885	1,103,255
Total liabilities, deferred inflow of resources, and net position	\$ 1,781,287	\$ 1,720,307	\$ 1,585,315
Operating cash equivalents & short-term investments	\$ 251,888	\$ 285,907	\$ 279,342
Board designated, funds held by trustee, & restricted funds	553,309	534,267	453,272
Total available cash & investments	\$ 805,197	\$ 820,174	\$ 732,614

Investments

The consolidated District maintains sufficient cash balances to pay daily operational expenses and all short term liabilities. In late fiscal year 2012, the Hospital (exclusive of the District) selected an Investment Consultant to assist the Hospital and its subsidiaries in managing its investments, and both the investment policies for Surplus Cash and Cash Balance Plan were updated and approved by the Hospital Board of Directors. The policies allow for greater diversification in the investment portfolios to balance the need for liquidity with a long-term investment focus in order to improve investment returns and the organization's financial strength. Beginning early in fiscal year 2013, an Investment Committee was formed to perform the following responsibilities, among others: monitor performance of investment managers, monitor allocations across investment styles and investment managers, review compliance with the policies, and make recommendations for revisions to the policies. Throughout fiscal years 2015 and 2014, the number of money managers expanded from two money managers for Surplus Cash to approximately twenty-nine managers.

Capital Assets

Starting in January 2014, the Hospital entered into a multi-year strategic partnership with the Epic Corporation to install a state-of-the-art electronic healthcare record system known internally as "iCare". The new electronic patient record system provides access to lifetime health records across its regional community while delivering real time bedside clinical decision support and data sets that will be optimized with best practices on a single platform. This platform provides for exchange of patient medical data with many of the Hospital's strategic service partners, thus demonstrating to the community that the Hospital and its partners want to treat each citizen using timely, relevant health information.

In fiscal year 2016, the iCare healthcare record system went "live", as projected, on November 7, 2015, with a current capital investment at June 2016 of \$57 million and \$8 million expended in training of most employee staff and all physicians. In fiscal year 2017, the Hospital will initiate significant upgrades and refinements to its iCare system for an additional capital expenditure of approximately \$2 million.

In January 2016, the Hospital acquired approximately 16 acres of undeveloped land in South San Jose on Santa Teresa Boulevard for \$24 million. The Hospital in forging deeper partnerships with independent physicians and physician groups is exploring the co-development of the property by expanding acute care programs and clinical services through building urgent cares and primary care clinics.

During fiscal year 2016, the Hospital replaced two of its surgical robots with the next generation of these state-of-the-art surgical medical robots at a capital cost of \$3.9 million.

At the Hospital's Los Gatos campus, continuing progress was made during fiscal year 2016 to the significant renovations and upgrades to its Imaging and Surgery services and Central Sterile Processing functions. All seismic upgrades to the Los Gatos campus to make it in seismic compliance to 2030 were completed in fiscal year 2015.

At the end of 2016, the Hospital received approval from the City of Mountain View to complete its Mountain View Master Plan construction projects and the District and Hospital Boards approved final funding of the four projects on August 10, 2016. Initial construction on the projects commenced the summer of 2016. The projects are:

- 1) Replacement of its Behavioral Health Services building – project cost \$91.5 million
- 2) North Parking Garage Expansion – project cost \$24.5 million
- 3) Integrated Medical Office Building and parking structure – project cost \$275 million
- 4) Central Utility Plant Upgrades - project costs \$9 million

**EL CAMINO HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2016, 2015, and 2014**

It is projected that the North Parking Garage Expansion will be completed in spring 2017 and the other three (3) projects in the Fall of 2018.

To assist in financing these projects, the Hospital has started on a tax-exempt Revenue Bond issuance of approximately \$270 million. It is currently expected that the Closing of the bond issue will be the beginning of November 2016.

Also subsequent to fiscal year 2016, the District has started to proceed with a refunding of its 2006 original \$148 million Government Obligation ("G.O") Bonds (with a current payable balance of \$134 million), given the current reduced interest rates. Like the Hospital's revenue bonds issuance, the District expected close will be the beginning of November 2016.

FINAL DRAFT

EL CAMINO HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2016, 2015, and 2014

Revenues and Expenses

The following table displays revenues and expenses for 2016, 2015, and 2014:

Revenues & Expenses
Years Ended June 30, 2016, 2015 and 2014

(In Thousands)

	2016	2015	2014
Operating revenues:			
Net patient service revenue net of bad debt of \$18,966, \$, 22,160 \$18,690 in 2016, 2015, and 2014, respectively	\$ 772,173	\$ 746,645	\$ 719,487
Other revenue	34,237	29,830	28,378
Total operating revenues	\$ 806,410	\$ 776,475	\$ 747,865
Operating expenses:			
Salaries, wages & benefits	\$ 439,877	\$ 412,818	\$ 398,577
Professional fees and purchased services	106,838	100,152	91,240
Supplies	118,096	110,003	104,382
Depreciation and amortization	49,051	44,913	47,839
Rent and utilities	15,669	15,137	15,431
Interest	6,368	4,904	7,403
Other	19,456	12,881	13,930
Total operating expenses	\$ 755,355	\$ 700,808	\$ 678,802
Operating income	\$ 51,055	\$ 75,667	\$ 69,063
Nonoperating revenue (expense) items:			
Bond interest expense	(4,523)	(4,604)	(4,674)
Intergovernmental transfer expense	(802)	(6,759)	(2,391)
Realized investment income	16,672	14,795	18,706
Unrealized investment (loss) gain	(16,886)	3,979	35,943
Property tax revenues	23,633	21,097	19,153
Restricted gifts, grants and other net of contributions to related parties	7,038	4,344	1,521
Unrealized loss on interest rate swap	(3,214)	(1,009)	(142)
Community benefit expense	(6,049)	(8,023)	(7,150)
Other, net	(2,805)	1,268	(779)
Total nonoperating revenues and expenses	\$ 13,064	\$ 25,088	\$ 60,187
Increase in net position	\$ 64,119	\$ 100,755	\$ 129,250
Total net position, beginning of year	1,194,885	1,103,255	974,005
CUMULATIVE EFFECT OF RESTATEMENT	-	(9,125)	-
Total net position, beginning of year, as restated	1,194,885	1,094,130	974,005
Total net position, end of year	\$ 1,259,004	\$ 1,194,885	\$ 1,103,255

**EL CAMINO HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2016, 2015, and 2014**

Fiscal Year 2016 Consolidated Financial Analysis

Net Patient Services Revenues

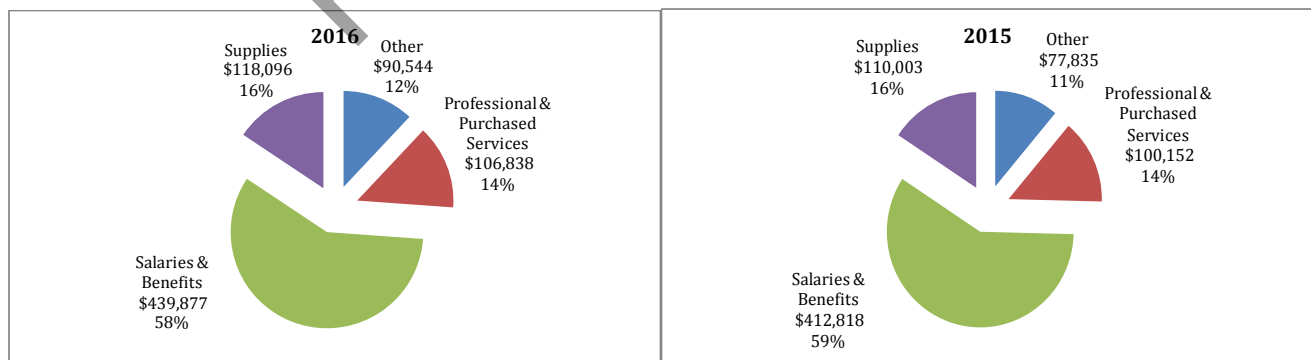
Net patient services revenue in fiscal year 2016 increased by \$25.5 million, or 3.4% over fiscal year 2015. This increase was due to increases in volumes and net revenue in General Surgery, Oncology, Behavioral Health and Outpatient Interventional Services. There was also improved charge capture after Epic go-live and better reimbursement in Emergency Services, Heart & Vascular, Spine Surgery & Neurosciences service lines.

Specialty	2016 Days	2015 Days	% Change
Medical/Surgical	61,046	60,403	1.1%
Maternity	14,465	15,618	-7.4%
Pediatrics	4	15	-73.3%
NICU	5,199	5,808	-10.5%
Psychiatry	7,990	7,943	0.6%
Normal newborn	10,717	11,522	-7.0%
Total	99,421	101,309	-1.9%

Specialty	2016 LOS	2015 LOS	% Change
Medical/Surgical	4.9	4.9	1.2%
Maternity	3.0	3.0	-1.8%
Pediatrics	1.9	1.9	1.3%
NICU	9.8	9.8	0.0%
Psychiatry	10.0	9.7	9.9%
Normal newborn	2.5	2.5	-0.2%
Average Length of Stay ("LOS")	4.3	4.3	1.4%

The overall case mix index, which is an indicator of patient acuity, was 1.48 in fiscal year 2016, compared to 1.44 in fiscal year 2015.

Operating Expenses



Salaries and Wages

It is to be noted that the District as a stand-alone entity has no employees. All employees are at the Hospital and its related corporations.

Total salaries and wages (including employee benefits) increased by \$27.1 million in fiscal year 2016 over 2015, which is 58.2% of total operating expenses and consistent with fiscal year 2015. Salaries and wages (exclusive of employee benefits) increased by \$17.7 million over fiscal year 2015. Registered Nurse ("RN") payroll salaries increased by \$2.2 million in fiscal year 2016 compared to 2015, but this modest increase does not paint the entire picture. With the final months of the implementation and training of iCare healthcare patient records system, a significant amount, \$5.7 million over fiscal year 2015, was spent on outside registries which provided RN backfill coverage as they finalized initial implementation and/or training in the use of iCare (refer to Other Expense section). Another area of significant in salary expense over the prior year, an amount of \$8.5 million, was for technical and special employee base. The largest increase was for IT staff for implementation and support of the iCare system, while supporting of legacy systems being replaced over a period of time.

With an RN turnover rate of 6.9%, the Hospital continues to do better than the Northern California rate of 10.1% and the statewide rate of 10.1%, as published by the California Hospital Association ("CHA") at the end of the first quarter of the calendar year 2016.

In fiscal year 2016, the Hospital added 43 Full Time Equivalents ("FTE"). The impact of maintaining the new iCare electronic healthcare patient record system we added 31 FTE's. Other increases were due to bringing Clinical Trials personnel in-house (4 FTE's), Medical Records (2 FTE's), Environmental Services (4 FTE's), and Sterile Processing (2 FTE's).

Employees represented by SEIU United Healthcare Workers ("SEIU - UHW") are under a current contract that extends through June 2017. In fiscal year 2016 they received 3.0% increases in July 2015.

The Hospital's Stationary Engineers - Local 39, per the current three year contract through October 2016, received a 3.0% contractual increase in November 2015.

Hospital-represented, non-management staff already on a merit based system received an average of 3.2% in July 2015.

Management and Senior executive staff received market-based adjustments or merit increases in August 2015 that averaged 3.5% in the aggregate.

Employee Benefits

Aggregate employee benefits, including accrued Paid Time Off ("PTO") and Extended Sick Leave increased by \$7.9 million.

Significant increases were as follows:

- Accrued PTO increased by \$2.1 million over the prior year driven by wage and salary increases during the year.
- Employer Social Security and Medicare taxes increased by \$1.1 million principally due to the increase in the Social Security wage base threshold and salary and wage increases.
- Healthcare expense (medical, dental, and vision) increased a modest \$772,000 over 2015.

**EL CAMINO HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2016, 2015, and 2014**

- The Hospital's provided 403B Match increased by \$732,000 over 2015 primarily due to salary increases and greater employee contributions.
- Retention bonuses of \$484,000 were paid in fiscal year 2016 over 2015 to certain IT personnel to retain staff to support the legacy electronic medical record system and related systems that were replaced by the new iCare system in November 2015.
- Postretirement healthcare expenses increased by \$231,000 over 2015, primarily driven by increased actuarially determined expense for the 2016 fiscal year.

Professional and Purchased Services

Total professional and purchased services increased by \$6.7 million over the prior fiscal year.

Significant increases were as follows:

- 24/7/365 coverage for OB Hospitalists Services at both campuses that had started in the second half of fiscal year 2015, and in fiscal year 2016 was fully implemented causing an increase of \$1.6 million over prior year.
- Other new or rate increases for physician medical fees for 24/7 on-call arrangements at Emergency Rooms and medical directorship expense increase by \$1.9 million over the prior fiscal year.
- To increase IT security safeguards, the Hospital engaged an outside firm to review IT security and assist in implementing additional safeguards and processes causing an additional expense in the current year of \$1.0 million.
- The implementation of iCare caused significant non-capital expense for backfilling numerous professional positions and workflow consulting within IT, Health Information Medical Systems, Clinical Analytics, etc. for expenses totaling \$2.3 million in the current year.

Supplies

Total supplies increased by \$8.1 million in fiscal year 2016 over 2015. Pharmaceuticals increased by \$4.8 million. With the expansion of the Cancer Center that opened the end of fiscal year, the service saw an increased patient volumes during the current year causing a significant increase in cancer infusion drugs. The pharmaceutical industry saw an overall inflation rate of 7.2% for the year. Medical Supplies increased by approximately \$3.0 million primarily heart & vascular devices, as the core value and the atrial closure device that is to eliminate the need for taking blood thinning agents for a patient's remaining life. Robotic surgeries increased in this current year given the acquisition of two of the latest robotic technology systems, which increased those certain robotic medical supplies. Other areas were for radioactive contract materials and updating the surgeon instrumentation sets.

Depreciation and Amortization

Depreciation and amortization expense this fiscal year increased by \$4.1 million over fiscal year 2015. Primarily this was due to the new Cancer Center that opened at the end of fiscal year 2015, thus fully operational for the entire 2016 year. Due to the impending construction of the Integrated Medical Office Building, the older two story building known as the "North Addition" completed in the 1980's was placed on accelerated depreciation for its remaining net book value in fiscal year 2016 as it is in the footprint of this new building and is scheduled to be demolished in the summer of 2016. Lastly the new IT data operations center completed in mid-fiscal year 2015 was fully in operation during 2016, thus increasing this year's depreciation expense.

Rent and Utilities

Rent and utilities this fiscal year was increased by an insignificant \$532,000 over fiscal year 2015.

Interest Expense

Operating interest expense is primarily related to the 2015A Revenue Bonds, ("Series 2015A bonds") which refunded its 2007 Series Bonds (\$120.2 million) and financed certain capital expenditures (\$40.3 million) at the Hospital's Los Gatos campus. The advance refunding of the 2007 Series Bonds caused a loss on defeasance of \$15.3 million which is being amortized as additional interest expense of the life of the 2015A Bonds, which adds an additional \$600,000 in interest expense per year.

Other Expense

There was an increase of \$6.6 million in fiscal year 2016 over 2015. Primarily this was due to going "live" in November 2015 with the iCare electronic healthcare patient record. Employee training was needed for all clinical users, a number of support departments within the Hospital, and the entire medical staff which was at a cost of \$8.1 million. There was an increase in property taxes (\$507,000) that the Hospital must pay on its Medical Office Buildings that are leased to physicians, as these properties are not exempt from property taxes. Offsetting these increases was a significant decrease in marketing expenses of \$1.3 million.

Change in Net Unrealized Gains and Losses on Investments

For fiscal year 2016, the Hospital had 29 money managers with different investment objectives for the Hospital's surplus cash investments. Total net unrealized gains/losses are reported in the consolidated financial statements during this fiscal year.

The Hospital experienced a net unrealized loss on investments of -\$16.9 million during fiscal year 2016 and the change in net unrealized gains and losses for fiscal year 2016 was a Year over Year ("YOY") decrease of \$20.8 million. The change in net unrealized gains and losses in 2016 were primarily a result of poor hedge fund investment returns as they returned -7.2% for the twelve months ended June 30, 2016 and generated -\$8.7 million in change in net unrealized gains and losses. Externally held funds (excluding hedge funds) and mutual fund investments generated -\$7.2 million in change in unrealized gains and losses; however, \$2.3 million was due to the realization of gains primarily from private real estate investments. Within mutual funds, international equity and U.S. large-cap growth equity strategies were the primary driver of unrealized losses throughout fiscal year 2016. Separate account equities also experienced negative changes in net unrealized gains and losses of -\$4.5 million; however, \$2.9 million was due to the realization of gains as an underlying manager was liquidated during fiscal year 2016. Fixed income investments partially offset the impact of other asset classes as they experienced a positive change in net unrealized gains and losses of \$3.5 million during fiscal year 2016. A decrease in interest rates caused an increase in unrealized gains for fixed income investments.

The YOY decrease in net unrealized gains and losses were primarily due to a \$12.3 million decrease in hedge fund investments and an \$11.0 million decrease in externally held funds (excluding hedge funds) and mutual fund investments. Hedge fund investments returned -7.2% during fiscal year 2016, whereas they returned +2.0% in fiscal year 2015. Within mutual fund investments, internationally equity returned -6.0% during fiscal year 2016 versus -2.8% in fiscal year 2015 and U.S. large-cap growth equities returned -10.6% in 2016 versus +7.2% in 2015.

EL CAMINO HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2016, 2015, and 2014

Economic Factors and Next Year's Budget

The Board approved the fiscal year 2017 budget at their June 2017 meeting. The District is budgeting net income of \$76.2 million in fiscal year 2017. Volumes are budget to increase 2.2%. Reimbursement rates are projected to decrease by 2.5%. Expenses are budgeted to increase by 2.8%. The organization is focused on being a value-based healthcare provider offering top decile, acute care quality at mid-level pricing, moving toward continuum partnerships that integrate care coordination and delivery strategies while maintaining triple aim of quality, service and affordability.

Fiscal Year 2015 Consolidated Financial Analysis

Net Patient Services Revenues

Net patient services revenue in fiscal year 2015 increased by \$27.2 million, or 3.8% over fiscal year 2014. This increase was due to increases in volumes and contribution margins for the HIV, Oncology, Spine, and Imaging service lines. Additional intergovernmental funds ("IGT") of \$6.0 million was received in fiscal year 2015 to catch up for a one year backlog in payment.

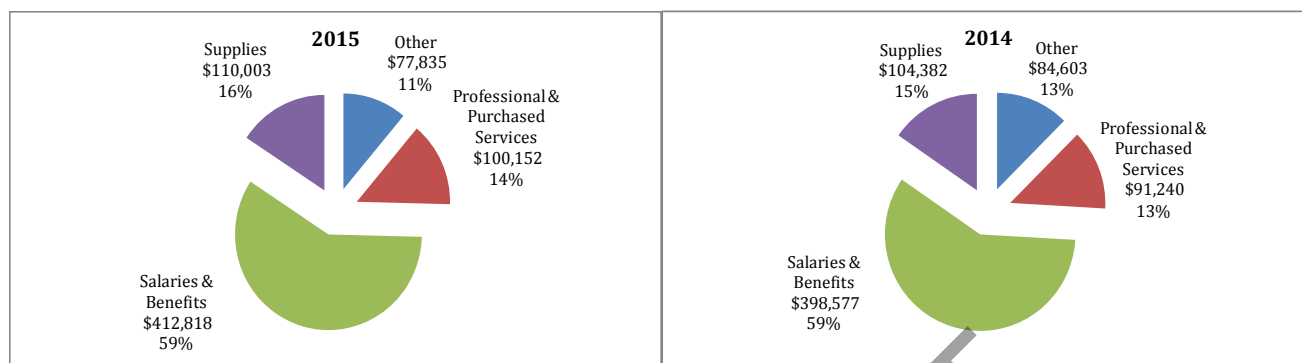
Specialty	2015 Days	2014 Days	% Change
Medical/Surgical	60,403	57,210	5.6%
Maternity	15,618	16,169	-3.4%
Pediatrics	15	42	-64.3%
NICU	5,808	5,980	-2.9%
Psychiatry	7,943	7,482	6.2%
Normal newborn	11,522	11,670	-1.3%
Total	101,309	98,553	2.8%

Specialty	2015 LOS	2014 LOS	% Change
Medical/Surgical	4.9	4.8	2.1%
Maternity	3.0	3.1	-3.2%
Pediatrics	1.9	1.9	0.0%
NICU	9.8	10.4	-5.8%
Psychiatry	9.7	8.9	9.0%
Normal newborn	2.5	2.4	4.2%
Average LOS	4.3	4.2	2.4%

The overall case mix index, which is an indicator of patient acuity, was 1.44 in fiscal year 2015, compared to 1.42 in fiscal year 2014.

**EL CAMINO HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2016, 2015, and 2014**

Operating Expenses



Salaries and Wages

It is to be noted that the District as a stand-alone entity has no employees. All employees are at the Hospital and its related corporations.

Total salaries and wages (including employee benefits) increased by \$14.2 million in fiscal year 2015 over 2014, which is 58.9% of total operating expenses and consistent with fiscal year 2014. Salaries and wages (exclusive of employee benefits) increased by \$11.8 million over fiscal year 2015. Registered Nurse ("RN") payroll salaries increased by \$6.9 million in fiscal year 2015 compared to 2014. Approximately \$1.8 million of this increase was due to scheduled contract wage increases of 2.0% that occurred in September 2014 and March 2015. The remaining increase was due to greater hours worked due to increased patient load. With an RN turnover rate of 4.5%, the Hospital continues to do better than the Northern California rate of 8.8% and the statewide rate of 10.1%, as published by the California Hospital Association ("CHA") at the end of the first quarter of the calendar year 2015.

In fiscal year 2015, the Hospital added a very modest 10 Full Time Equivalents ("FTE"). With the on-going implementation of the Hospital's iCare electronic medical record system, the Hospital had to backfill a number of internal positions that were assigned to the project with more expensive outside temporary personnel.

Employees represented by SEIU United Healthcare Workers ("SEIU - UHW") were under a current contract that extends through June 2016. In fiscal year 2015 they received 1.0% increases in July 2014.

The Hospital's Stationary Engineers – Local 39, per the current three year contract through October 2016, received a 3.0% contractual increase in November 2014.

Hospital-represented, non-management staff were granted a 2.0% salary and wage increase in July 2014.

Senior executive staff received market-based adjustments in August 2014 that averaged 3.0% in the aggregate.

Employee Benefits

Aggregate employee benefits, including accrued Paid Time Off ("PTO") and Extended Sick Leave increased by \$2.9 million.

Significant increases were as follows:

- Healthcare expense increased by \$1.7 million over fiscal year 2014 primarily due to employees' spouses and/or families opting into the Hospital's healthcare plans.

**EL CAMINO HEALTHCARE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2016, 2015, and 2014**

- Accrued PTO increased by \$1.5 million over the prior year driven by wage and salary increases during the year.
- Employer Social Security and Medicare taxes increased by \$700,000 principally due to the increase in the Social Security wage base threshold and salary and wage increases.
- Retention bonuses of \$500,000 were paid in fiscal year 2015 to certain IT personnel to retain them to support the legacy electronic medical record system that was replaced by the new iCare system in November 2015.
- Net Workers Compensation expense decreased by \$1.7 million over fiscal year 2014 due to a decrease in the needed actuarial reserves due, again as in the prior year, positive changes made administration of the program by the Hospital and the change in the Third Party Administrator for processing claims.

Professional and Purchased Services

Total professional and purchased services increased by \$8.9 million over the prior fiscal year.

Significant increases were as follows:

- Cost of issuance expenses for the \$160,455,000 2015A Revenue Bonds in May 2015 totaling \$1.9 million.
- Physician medical fees for 24/7 on-call arrangements at Emergency Rooms (primarily adding OB Hospitalists services at both Mountain View and Los Gatos campuses in fiscal year 2015) totaling \$1.6 million.
- Conversion to iCare (electronic healthcare record) occurred in November 2015 the legacy system's maintenance contract was being terminated before its normal expiration date - \$1.5 million.
- Growth in the CONCERN's Employee Assistance Program caused increases for purchased outside counseling providers totaling \$1.4 million.
- On-going repairs and maintenance to all the buildings on the Mountain View and Los Gatos campuses increased by \$900,000 in fiscal year 2015.
- Additional collection agency services were utilized in the current year to assist in working down the Accounts Receivable of the legacy system upon conversion to iCare in November totaling \$600,000.

Supplies

Total supplies increased by \$5.6 million in fiscal year 2015 over 2014. There was a significant outpatient volume increase of cancer patients causing an increase of infusion drugs of \$3.3 million over last year, along with drug supply price increases in the range of 4.0% to 5.0% over the year. Surgery instrumentation sets increased in the fiscal year by \$600 thousand due to increasing and standardizing of the instrumentation inventories.

Depreciation and Amortization

Depreciation and amortization expense this fiscal year decreased over the prior year by \$2.9 million primarily caused by the state of art Imaging equipment in excess of \$20.0 million put into service as the Mountain View hospital opened in November 2009 became fully depreciated in mid fiscal year 2014, thus in fiscal year 2015 no depreciation expense was attributable to this equipment.

Rent and Utilities

Rent and utilities this fiscal year decreased by an insignificant \$294,000 over fiscal year 2014.

Interest Expense

Operating interest expense is related to the newly issued 2015A Bonds, along with the 2009A bonds and the 2007 Series A, B, C bonds that were defeased in May 2015. This interest expense decreased in fiscal year 2015 by \$2.5 million over fiscal year 2014 primarily by refunding of the 2007 Series Bonds as part of the 2015A issuance.

Other Expense

The decrease of \$1 million over the prior fiscal year is due to decreased property taxes as the prior year had a one-time four (4) year retro billing for certain buildings at the Mountain View campus which are leased as medical offices to physicians; reduced malpractice in current year due to decreased monthly premiums, deductible payments, and special dividends. An offset to these decreases was an increase to employee expense for traveling to Wisconsin for necessary Epic (iCare) training sessions.

Change in Net Unrealized Gains and Losses on Investments

For fiscal year 2015, the Hospital had twenty-seven money managers with different investment objectives for the Hospital's surplus cash investments. Total net unrealized gains/losses are reported in the consolidated financial statements during this fiscal year.

The Hospital experienced unrealized gains of \$4.0 million during fiscal year 2015; however, the change in net unrealized gains and losses for fiscal year 2015 was a Year over Year ("YOY") decrease of \$32.0 million. Net unrealized gains in 2015 were primarily a result of strong domestic equity market returns as the S&P 500 Index was up 7.4% for the twelve months ended June 30, 2015. The combination of hedge funds and mutual funds unrealized gains were the main drivers of the increase; hedge funds experienced unrealized gains of \$4.0 million in fiscal year 2015 and mutual funds \$3.8 million. Mutual fund investments are primarily comprised of equity securities. Fixed income securities experienced a net unrealized loss of \$3.8 million in 2015.

The YOY decrease in net unrealized gains and losses were primarily due to an \$18.0 million decrease in mutual fund investments and an \$11.3 million decrease in fixed income investments. Equity based mutual funds performed well during the fiscal year, however, were not able to keep pace with the level of returns in fiscal year 2014 as the S&P 500 Index was up 24.6% in fiscal year 2014. Within fixed income investments, the Barclays Aggregate Index return fell 2.5% fiscal YOY.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
El Camino Healthcare District

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of El Camino Healthcare District (the "District"), which comprise the consolidated statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the District as of June 30, 2016 and 2015, and the consolidated results of operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The accompanying Management's Discussion and Analysis on pages 1 through 14, and the accompanying supplemental pension and postretirement benefit information on page 49, are not required parts of the consolidated financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers them to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational economic, or historical context. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit of the consolidated financial statements. We do not express an opinion or provide any assurance on the supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the District's consolidated financial statements. The accompanying consolidating statement of net position and consolidating statement of revenues, expenses, and changes in net position, on page 46, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of the District's management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the District's consolidated financial statements. The accompanying supplemental schedule of community benefit on page 51 is presented for purpose of additional analysis and is not a required part of the consolidated financial statements. This supplementary information is the responsibility of the District's management. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

San Francisco, California
 , 2016

FINAL DRAFT

CONSOLIDATED FINANCIAL STATEMENTS

EL CAMINO HEALTHCARE DISTRICT
CONSOLIDATED STATEMENTS OF NET POSITION
June 30, 2016 and 2015
(In Thousands)

	2016	2015
ASSETS AND DEFERRED OUTFLOWS		
Current assets		
Cash and cash equivalents	\$ 63,422	\$ 59,149
Short-term investments	188,466	226,758
Current portion of board designated and funds held by trustee	15,472	9,298
Patient accounts receivable, net of allowances for doubtful accounts of \$25,927 and \$9,187 in 2016 and 2015, respectively	121,570	96,053
Prepaid expenses and other current assets	22,180	22,541
Total current assets	411,110	413,799
Non-current cash and investments		
Board-designated funds	491,494	474,833
Restricted funds	50	55
Funds held by trustee	46,293	50,081
	537,837	524,969
Capital assets, net	743,127	698,436
Pledges receivable, net of current portion	2,683	1,825
Prepaid pension asset	22,651	24,327
Investments in healthcare affiliates	30,469	30,718
Beneficial interest in charitable remainder unitrusts	3,596	1,015
Total assets	1,751,473	1,695,089
Deferred outflows		
Loss on defeasance of bond payable	14,764	15,364
Deferred outflows of resources	5,100	7,200
Deferred outflows - actuarial	9,950	2,654
Total deferred outflows	29,814	25,218
Total assets and deferred outflows	\$ 1,781,287	\$ 1,720,307
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses	\$ 28,973	\$ 30,926
Salaries, wages, and related liabilities	49,053	46,248
Other current liabilities	16,754	10,112
Estimated third-party payor settlements	11,314	20,253
Current portion of bonds payable	8,145	7,713
Total current liabilities	114,239	115,252
Bonds payable, net of current portion	349,336	358,906
Other long-term obligations	13,955	10,633
Workers' compensation, net of current portion	20,009	22,419
Post-retirement medical benefits, net of current portion	18,256	17,197
Total liabilities	515,795	524,407
Deferred inflow of resources		
Deferred inflow of resources	3,596	1,015
Deferred inflow of resources - actuarial	2,892	-
Total deferred inflows	6,488	1,015
Net position		
Invested in capital assets, net of related debt	447,401	353,560
Restricted - expendable	11,599	7,460
Restricted - nonexpendable	2,708	2,235
Unrestricted	797,296	831,630
Total net position	1,259,004	1,194,885
Total liabilities, deferred inflow of resources, and net position	\$ 1,781,287	\$ 1,720,307

See accompanying notes.

EL CAMINO HEALTHCARE DISTRICT
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended June 30, 2016 and 2015
(In Thousands)

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Net patient service revenue (net of provision for bad debts of \$18,966 and \$22,160 in 2016 and 2015, respectively)	\$ 772,173	\$ 746,645
Other revenue	34,237	29,830
Total operating revenues	<u>806,410</u>	<u>776,475</u>
OPERATING EXPENSES		
Salaries, wages, and benefits	439,877	412,818
Professional fees and purchased services	106,838	100,152
Supplies	118,096	110,003
Depreciation and amortization	49,051	44,913
Rent and utilities	15,669	15,137
Other	25,824	17,785
Total operating expenses	<u>755,355</u>	<u>700,808</u>
Income from operations	<u>51,055</u>	<u>75,667</u>
NONOPERATING REVENUES (EXPENSES)		
Investment (expense) income, net	(214)	18,774
Property tax revenue		
Designated to support community benefit programs and operating expenses	7,626	7,100
Designated to support capital expenditures	6,171	5,152
Levied for debt service	9,836	8,845
Bond interest expense	(4,523)	(4,604)
Intergovernmental transfer expense	(802)	(6,759)
Restricted gifts, grants and bequests, and other, net of contributions to related parties	7,038	4,344
Unrealized loss on interest rate swap	(3,214)	(1,009)
Community benefit expense	(6,049)	(8,023)
Other, net	(2,805)	1,268
Total nonoperating revenues (expenses)	<u>13,064</u>	<u>25,088</u>
Increase in net position	64,119	100,755
TOTAL NET POSITION, beginning of year	<u>1,194,885</u>	<u>1,094,130</u>
TOTAL NET POSITION, end of year	<u><u>\$ 1,259,004</u></u>	<u><u>\$ 1,194,885</u></u>

See accompanying notes.

EL CAMINO HEALTHCARE DISTRICT
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015
(In Thousands)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from and on behalf of patients	\$ 736,915	\$ 745,198
Other cash receipts	34,237	30,819
Cash payments to employees	(433,431)	(418,327)
Cash payments to suppliers	(273,871)	(250,969)
Net cash provided by operating activities	<u>63,850</u>	<u>106,721</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	13,797	12,252
Restricted contributions and investment income	6,180	3,365
Transfers from restricted funds and other	5	(2)
Net cash provided by noncapital financing activities	<u>19,982</u>	<u>15,615</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of property, plant, and equipment	(87,337)	(81,057)
Proceeds from disposal of property, plant and equipment	-	369
Payments on bonds payable	(7,712)	(2,719)
Proceeds from bond issuance	-	177,921
Interest paid on General Obligation bonds payable	(4,523)	(4,604)
Refunding of bonds payable	-	(145,932)
Tax revenue related to General Obligation bonds payable	9,836	8,845
Net cash used for capital and related financing activities	<u>(89,736)</u>	<u>(47,177)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(710,343)	(925,344)
Sales of investments	725,800	874,486
Investment (expense) income, net	(214)	19,127
Community benefit and other investing activities	(8,854)	(6,755)
(Increase) decrease in notes receivable	-	27
Change in funds held by trustee, net	3,788	(30,663)
Net cash provided by (used for) investing activities	<u>10,177</u>	<u>(69,122)</u>
Net increase in cash and cash equivalents	4,273	6,037
CASH AND CASH EQUIVALENTS at beginning of year	<u>59,149</u>	<u>53,112</u>
CASH AND CASH EQUIVALENTS at end of year	<u>\$ 63,422</u>	<u>\$ 59,149</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income from operations	\$ 51,055	\$ 75,667
Adjustments to reconcile income from operations to net cash from operating activities		
Loss on disposal of property, plant and equipment	-	989
Amortization of loss on defeasance of bond payable	600	-
Amortization of bond premium	(1,426)	(353)
Depreciation and amortization	49,051	44,913
Provision for bad debts	18,966	22,160
Changes in assets and liabilities		
Patient accounts receivable, net	(54,224)	(23,607)
Prepaid expenses and other current assets	(2,910)	(12,614)
Current liabilities	1,089	899
Other long-term obligations	(2,302)	(2,241)
Deferred inflow of resources - actuarial	2,892	-
Postretirement medical benefits	1,059	908
Net cash provided by operating activities	<u>\$ 63,850</u>	<u>\$ 106,721</u>
SUPPLEMENTAL DISCLOSURE OF NON CASH INVESTING ACTIVITIES		
Non cash purchase of property, plant, and equipment	<u>\$ 6,405</u>	<u>\$ -</u>
Change in fair value of beneficial interest in charitable remainder unitrusts, and deferred inflow of resources, net	<u>\$ 2,581</u>	<u>\$ 156</u>

See accompanying notes.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – During fiscal year 2013, El Camino Hospital District changed its name to El Camino Healthcare District (the “District”), to make a sharper distinction between the taxpayer-funded District and the operations of El Camino Hospital (the “Hospital”) and its related corporations.

The District includes the following component units, which are included as blended component units of the District’s consolidated financial statements: the Hospital, El Camino Hospital Foundation (the “Foundation”), CONCERN: Employee Assistance Program (“CONCERN”), El Camino Surgery Center, LLC (“ECSC”), and Silicon Valley Medical Development, LLC (“SVMD”).

The District is organized as a political subdivision of the State of California and was created for the purpose of operating an acute care hospital and providing management services to certain related corporations. The District is the sole member of the Hospital, and the Hospital is the sole corporate member of the Foundation and CONCERN. As sole member, the District (with respect to the Hospital) and the Hospital (with respect to the Foundation and CONCERN) have certain powers, such as the appointment and removal of the boards of directors and approval of changes to the articles of incorporation and bylaws. As of June 30, 2016 and 2015, the Hospital owns 100% of ECSC.

The purpose of CONCERN is to provide and operate a specialized healthcare service plan for various business organizations nationwide; CONCERN has a limited Knox-Keene license from the Department of Corporations of the State of California.

SVMD was formed in September 2008 as a Limited Liability Corporation (“LLC”), a wholly owned subsidiary of the Hospital focused on the expansion of the clinical enterprise outside of the Hospital through various business ventures and physician alignment initiatives that improve access for the Hospital’s current patients and new, underserved members of the community, extend healthcare into people’s homes through the applications of electronic connectivity and assist independent physicians in clinical integration with the Hospital, among other initiatives. In the last quarter of 2016, SVMD opened its first Primary Care Clinic in the San Jose area and anticipates opening approximately two to three other clinics in fiscal year 2017.

All significant inter-entity accounts and transactions have been eliminated in the consolidated financial statements.

The District utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis and consolidated financial statements are prepared using the economic resources measurement focus.

Accounting standards – Pursuant to Governmental Accounting Standards Board (“GASB”) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the District’s proprietary fund accounting and financial reporting practices are based on all applicable GASB pronouncements as well as codified pronouncements issued on or before November 30, 1989 and the California Code of Regulations, Title 2, Section 1131, State Controller’s *Minimum Audit Requirements* for California Special Districts and the State Controller’s Office prescribed reporting guidelines.

Use of estimates – The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Estimates include contractual allowances related to net patient service revenue, provision for uncollectible accounts, fair market values of investments, uninsured losses for professional liability, minimum pension liability, workers’ compensation liability, post-retirement medical benefits liability, valuation of gift annuities and beneficial interest in charitable remainder unitrusts, and useful lives of capital assets. Actual results could differ from those estimates.

EL CAMINO HEALTHCARE DISTRICT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cash and cash equivalents – Cash and cash equivalents include deposits with financial institutions, and investments in highly liquid debt instruments with an original maturity of three months or less. In addition, in fiscal years 2016 and 2015, cash and cash equivalents include repurchase agreements, which consist of highly liquid obligations of U.S. governmental agencies. Cash and cash equivalents exclude amounts whose use is limited by board designation or by legal restriction.

Investments – Investments consist primarily of highly liquid debt instruments and other short-term interest-bearing certificates of deposit, U.S. Treasury bills, U.S. government obligations, hedge funds, hedge fund of funds, and corporate debt, excluding amounts whose use is limited by board designation or other arrangements under trust agreements.

Board-designated and restricted funds include assets set aside by the Board of Directors for future capital improvements and other operational reserves, over which the Board of Directors retains control and may at its discretion use for other purposes; assets set aside for qualified capital outlay projects in compliance with state law; and assets restricted by donors or grantors.

Investment income, realized gains and losses, and unrealized gains and losses on investments are reflected as nonoperating revenue or expense.

Funds held by trustee – According to the terms of both indenture agreements (General Obligation and Revenue Bonds), these amounts are held by the bond trustee and paying agent and are maintained and managed by the trustee. These assets are available for the settlement of future current bond obligations and capital expenditures.

Capital assets – Capital asset acquisitions are recorded at cost. Donated property is recorded at its fair market value on the date of donation. All purchases over \$2,500 are capitalized. Equipment under capital lease is amortized on the straight-line basis over the shorter of the lease term or the estimated useful life of the equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the related assets. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	16 years
Buildings and fixtures	25 – 47 years
Equipment	3 – 16 years

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method that best reflects the diminished service utility of the capital asset.

Except for capital assets acquired through gifts, contributions or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Investments in healthcare affiliates – The Hospital holds an interest in Pathways Home Health & Hospice, Pathways Private Duty (formerly Pathways Continuous Care), and five Satellite Dialysis Centers, which are reported using the equity method of accounting. ECSC holds an interest in El Camino Ambulatory Surgery Center (“ECASC”), which is reported using the cost method of accounting.

Deferred outflows and inflows – The District records deferred outflows or inflows of resources in its consolidated financial statements for consumption or acquisition of its consolidated net position that is applicable to future reporting period. These financial statement elements are distinct from assets and liabilities.

Deferred outflows consist of unamortized loss on refunding of debt (Note 10), deferred outflows of pension contribution and actuarially determined deferred outflows of resources (Note 7).

EL CAMINO HEALTHCARE DISTRICT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Deferred inflows consist of actuarially determined deferred inflows of resources as it relates to pension (Note 7), as well as deferred inflow resulting from transactions in charitable remainder unitrusts (Note 12).

Risk management – The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Self-insurance plans – The Hospital maintains professional liability insurance on a claims-made basis, with liability limits of \$40,000,000 in aggregate, and which is subject to a \$50,000 deductible. Additionally, the Hospital is self-insured for workers' compensation benefits. The Hospital purchases a Workers' Compensation Excess Policy that insures claims greater than \$1,000,000 with a limit of \$25,000,000 and a \$1,000,000 deductible. Actuarial estimates of uninsured losses for professional liability and workers' compensation have been accrued as other current liabilities and workers' compensation, net of current portion, respectively, in the accompanying consolidated financial statements.

The following is a summary of changes in workers' compensation liabilities for the years ended June 30, (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
2016	\$ 24,719	\$ 3,264	\$ 5,674	\$ 22,309	\$ 2,300
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
2015	\$ 26,337	\$ 3,584	\$ 5,202	\$ 24,719	\$ 2,300

Compensated absences – Vested or accumulated vacation and sick leave are recorded as an expense and liability of the Hospital as the benefits accrue to employees. For most employees, the maximum accumulated vacation is 400 hours. Sick leave is accumulated indefinitely at a maximum of 40 hours for a full-time employee per year, and is not vested with the employee upon termination.

The following is a summary of changes in compensated absences transactions for the years ended June 30, (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
2016	\$ 22,474	\$ 40,960	\$ 40,202	\$ 23,232	\$ 23,232
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
2015	\$ 21,152	\$ 40,384	\$ 39,062	\$ 22,474	\$ 22,474

Interest rate swap agreements – During the fiscal year ended June 30, 2007, the Hospital entered into derivative instruments in the form of three swap agreements to hedge variable interest rate exposure. During the fiscal year ended June 30, 2008, the underlying variable rate debt was refunded for fixed rate debt, leaving the Hospital with speculative derivative instruments that largely offset the variable rate debt issued in 2009. Two of these swaps were terminated in the fiscal year ended June 30, 2010. Refer to Note 10 for a full description of the interest rate swap agreements.

Net position – Net position of the District is classified as invested in capital assets, restricted–expendable, restricted–nonexpendable, and unrestricted net position.

Invested in capital assets, net of related debt – Invested in capital assets of \$447,401,000 and \$353,560,000 at June 30, 2016 and 2015, respectively, represent investments in all capital assets (building and building improvements, furniture and fixtures, and information and technology equipment), net of depreciation less any debt issued to finance those capital assets.

EL CAMINO HEALTHCARE DISTRICT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Restricted - expendable – The restricted expendable net position is restricted through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation and includes assets in self-insurance trust funds, revenue bond reserve fund assets, and net position restricted to use by donors.

Restricted - nonexpendable – The restricted nonexpendable net position is equal to the principal portion of permanent endowments.

Unrestricted net position – Unrestricted net position consists of net position that does not meet the definition of invested in capital assets, net of related debt, or restricted.

Statements of revenues, expenses, and changes in net position – For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provisions of healthcare services are reported as revenues and expenses. Peripheral or incidental transactions are reported as gains and losses. These peripheral activities include investment income, property tax revenue, gifts, grants and bequests, change in net unrealized gains and losses on short-term investments, unrealized losses or gains on interest rate swap, nonexchange contributions received from the Foundation's fundraising activities and are reported as nonoperating. Investments in Pathways Home Health & Hospice and Pathways Private Duty are accounted for under the equity method. The Hospital's share of the operating income of these entities is included as other, net in the consolidated financial statements.

Net patient service revenue and patient accounts receivable – Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods as final settlements are determined. The distribution of net patient accounts receivable by payor at June 30, 2016 and 2015, is as follows:

	June 30,	
	2016	2015
Medicare	14%	17%
Medi-Cal	4%	4%
Commercial and other	81%	78%
Self pay	1%	1%
	<u>100%</u>	<u>100%</u>

Uncollectible accounts – The Hospital provides care to patients without requiring collateral or other security. Patient charges not covered by a third-party payor are billed directly to the patient if it is determined that the patient has the ability to pay. A provision for uncollectible accounts is recognized based on management's estimate of amounts that ultimately may be uncollectible.

Charity care – The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of estimated costs for services and supplies furnished under the Hospital's charity care policy aggregated approximately \$2,290,000 and \$1,708,000 for the years ended June 30, 2016 and 2015, respectively.

EL CAMINO HEALTHCARE DISTRICT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Property tax revenue – The District received approximately 37% in 2016 and 21% in 2015 of its total increase in net position from property taxes. These funds were designated as follows (in thousands):

	June 30,	
	2016	2015
Designated to support community benefit programs and operating expenses	\$ 7,626	\$ 7,100
Designated to support capital expenditures	\$ 6,171	\$ 5,152
Levied for debt service	\$ 9,836	\$ 8,845

Property taxes are levied by the County on the District's behalf on January 1 and are intended to finance the District's activities of the same calendar year. Amounts levied are based on assessed property values as of the preceding July 1. Property taxes are considered delinquent on the day following each payment due date. Property taxes are recorded as nonoperating revenue by the District when they are earned.

Grants and contributions – From time to time, the District receives grants as well as contributions from individuals and private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues.

Income taxes – The District operates under the purview of the Internal Revenue Code (the "Code"), Section 115, and corresponding California Revenue and Taxation Code provisions. As such, it is not subject to state or federal taxes on income. CONCERN has also been granted tax-exempt status. However, income from the unrelated business activities of the Hospital and the Foundation is subject to income taxes. ECSC and SVMD are limited liability companies and are treated as pass-through entities for federal income tax purposes. Accordingly, no recognition has been given to federal income taxes in the accompanying consolidated financial statements.

Reclassifications – Certain amounts in the 2015 consolidated financial statements have been reclassified to conform to the 2016 presentation.

New accounting pronouncements - The GASB issued GASB Statement No. 72, *Fair Value Measurement and Application* ("GASB No. 72"), which is effective for financial statements for periods beginning after June 15, 2015. GASB No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share. The District has adopted this pronouncement and reflected the adoption as of the fiscal years ended June 30, 2016 and 2015. See Note 5.

The GASB issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, ("GASB No. 79"), which is effective for financial statements for periods beginning after June 15, 2015. GASB No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all the applicable criteria established in GASB No. 79. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria establish by GASB No. 79 during the reporting period, individually or in the aggregate, were significant. The District has reviewed and evaluated this pronouncement and has determined no material impact to the consolidated financial statements for the fiscal year ended June 30, 2016.

EL CAMINO HEALTHCARE DISTRICT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The GASB issued GASB Statement No. 81, *Irrevocable Split Interest Agreements*, ("GASB No. 81"), which provides recognition and measurement guidance for governments that benefit from irrevocable split-interest agreements. Under a typical irrevocable split-interest agreement, a donor transfers assets for the shared benefit of at least two beneficiaries: a government and another donor-designated beneficiary. The donor transfers the related assets to either the government or to a separate third party, such as a bank. GASB No. 81 addresses when these types of arrangements constitute an asset for accounting and financial reporting purposes when the resources are administered by a third party. The District has adopted this guidance for the fiscal year ended June 30, 2016, and has retrospectively applied the guidance as of the earliest prior period presented.

The GASB issued GASB Statement No. 82, *Pension Issues – an amendment of GASB Statement No. 67, No. 68, and No. 73*, ("GASB No. 82"), which is effective for financial statements for periods beginning after June 15, 2016. GASB No. 82 addresses certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, GASB No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee contribution requirements. The adoption of GASB No. 82 is effective for the District beginning July 1, 2016. The adoption is not expected to have a material impact on the District's consolidated financial statements.

The GASB also issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, ("GASB No. 74"), and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, ("GASB No. 75"). GASB No. 74 intends to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or "OPEB") included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. GASB No. 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The adoption of GASB No. 74 is effective for the District beginning July 1, 2016, while GASB No. 75 is effective for the District beginning July 1, 2017. The District is currently assessing the impact of these standards on the District's consolidated financial statements.

The GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27* ("GASB No. 68"), which is effective for financial statements for periods beginning June 15, 2014. GASB No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions are also addressed. The District has adopted this statement for the fiscal year ended June 30, 2015.

EL CAMINO HEALTHCARE DISTRICT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – OPERATING REVENUES

The following table reflects the percentage of net patient revenues by major payor group for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Medicare (including Medicare HMO)	27%	26%
Commercial and other	70%	72%
Medi-Cal (including Medi-Cal HMO)	3%	2%
	<u>100%</u>	<u>100%</u>

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, fee schedules, prepaid payments per member, and per diem payments or a combination of these methods. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated settlements under reimbursement agreements with third-party payors.

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. Inpatient services are paid at prospectively determined rates per discharge. Payments for outpatient services are based on a stipulated amount per procedure. The District is reimbursed for cost reimbursable items at a tentative rate, with final settlements determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The effect of updating prior year estimates for Medicare and other liabilities was to decrease 2016 income from operations by \$8,939,000, and increase 2015 income from operations by \$1,691,000. The Hospital's cost reports have been audited by the Medicare fiscal intermediary through June 30, 2012.

Non-Designated Public Hospitals ("NDPHs"), including the Hospital, were authorized, in 2011's Assembly Bill ("AB") 113, to use intergovernmental transfers ("IGTs") to obtain federal supplemental funds for Medi-Cal inpatient fee-for-service. The IGTs are used to bring NDPHs, in the aggregate, up to their upper payment limit ("UPL"). The UPL is the federal maximum available under the Medicaid program, as calculated based on the actual costs of providing care. For the years ended June 30, 2016 and 2015, the Hospital recognized amounts under the IGT program of \$0 and \$12,302,000, respectively, which have been reported as net patient service revenue. A letter of intention to participate in the program was sent out but a request letter from the Department of Health Care Services ("DHCS") has not been sent. Therefore, no IGT was recognized for 2016.

Medi-Cal and contracted rate payors are paid on a percentage of charges, per diem, per discharge, fee schedule, or a combination of these methods.

Laws and regulations governing the Medicare and Medi-Cal programs are complex and are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term.

Included in other revenue are amounts from investments in health-related activities, rental income, cafeteria, and other nonpatient care revenue.

NOTE 3 – CASH DEPOSITS

At June 30, 2016 and 2015, District cash deposits had carrying amounts of \$63,422,000 and \$59,149,000, respectively, and bank balances of \$71,658,000 and \$62,854,000, respectively. All of these funds were held in cash deposits, which are collateralized with the California Government Code ("CGC"), except for \$250,000 per account that is federally insured by the Federal Deposit Insurance Corporation ("FDIC").

EL CAMINO HEALTHCARE DISTRICT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The District participates in a cash management program provided by its primary depository institution that allows cash in District concentration accounts to be swept daily and invested overnight in reverse agreements that are not exposed to custodial credit risk because the underlying securities are held by the buyer-lender. At June 30, 2016 and 2015, balances in repurchase agreements had bank balances of \$71,658,000 and \$58,069,000, respectively, and are included in the carrying amounts above.

NOTE 4 – BOARD-DESIGNATED, FUNDS HELD BY TRUSTEE, AND INVESTMENTS

Board-designated funds, funds held by trustee, and short-term investments, collectively, as of June 30, 2016 and 2015, comprised the following (in thousands):

	Amortized Costs	Gross Unrealized		Carrying Value
		Gains	Losses	
2016				
Cash and cash equivalents	\$ 43,563	\$ -	\$ -	\$ 43,563
Mutual funds	208,161	19,847	(2,385)	225,623
Real estate funds	23,426	3,644	-	27,070
Hedge funds	94,173	4,002	(4,134)	94,041
Equities	23,585	5,865	(1,177)	28,273
Fixed income securities	314,304	10,828	(1,927)	323,205
	<u>\$ 707,212</u>	<u>\$ 44,186</u>	<u>\$ (9,623)</u>	<u>\$ 741,775</u>
2015				
Cash and cash equivalents	\$ 53,868	\$ -	\$ -	\$ 53,868
Mutual funds	178,470	27,189	-	205,659
Real estate funds	22,058	4,163	-	26,221
Hedge funds	94,138	8,784	(207)	102,715
Equities	33,599	10,254	(1,575)	42,278
Fixed income securities	324,089	8,540	(2,345)	330,284
	<u>\$ 706,222</u>	<u>\$ 58,930</u>	<u>\$ (4,127)</u>	<u>\$ 761,025</u>

At June 30, 2016, investment balances and average maturities were as follows:

Investment Type	Fair Value (in thousands)	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
Short-term money market	\$ 37,086	\$ 37,086	\$ -	\$ -	\$ -
Mutual funds	259,872	259,872	-	-	-
Real estate funds	27,070	27,070	-	-	-
Hedge funds	94,040	94,040	-	-	-
Government and agencies	105,141	12,563	55,275	17,424	19,879
Corporate bonds	101,957	12,843	69,046	12,003	8,065
Domestic fixed income	88,869	2,067	11,908	12,600	62,294
	714,035	<u>\$ 445,541</u>	<u>\$ 136,229</u>	<u>\$ 42,027</u>	<u>\$ 90,238</u>
Equities	27,740				
Total fair value	<u>\$ 741,775</u>				

EL CAMINO HEALTHCARE DISTRICT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2015, investment balances and average maturities were as follows:

Investment Type	Fair Value (in thousands)	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
Short-term money market	\$ 53,868	\$ 53,868	\$ -	\$ -	\$ -
Mutual funds	205,659	205,659	-	-	-
Real estate funds	26,221	26,221	-	-	-
Hedge funds	102,688	102,688	-	-	-
Government and agencies	130,276	23,268	75,917	16,542	14,549
Corporate bonds	93,701	15,888	58,036	11,968	7,809
Domestic fixed income	101,181	-	19,309	10,171	71,701
Foreign fixed income	5,153	-	236	2,975	1,942
	718,747	\$ 427,592	\$ 153,498	\$ 41,656	\$ 96,001
Equities	42,278				
Total fair value	\$ 761,025				

Interest rate risk – Through its investment policies, the District manages its exposure to fair value losses arising from increasing interest rates by limiting duration of fixed income securities in its portfolio to no more than 30% of the designated benchmark.

Credit risk – District investment policies require fixed income investments to have a minimum of 85% of a money manager's assets in investment grade assets. The investment policy requires investment managers maintain an average of A- or higher ratings as issued by a nationally recognized rating organization. Additionally, the investment policy requires no more than 5% of a money manager's portfolio at the time of purchase shall be invested in the securities of any one issuer, with the exception of a United States government agency, agency MBS or other Sovereign issues rated AAA or Aaa.

Foreign currency risk – The District's investment policy permits it to invest up to 30% of total investments in foreign currency denominated investments.

Alternative investments risk – The District's alternative investments include ownership interest in a wide variety of partnership and fund structures that may be domestic or offshore. Generally, there is little or no regulation of these investments by the Securities and Exchange Commission or U.S. state attorneys general. These investments employ a wide variety of strategies including absolute return, hedge, venture capital, private equity and other strategies. Investments in this category may employ leverage to enhance the investment return. The District's holdings can include financial assets such as marketable securities, nonmarketable securities, derivatives, and synthetic and structured instruments; real assets; tangible and intangible assets; and other funds and partnerships. Generally these investments do not have a ready market. Interest in these investments may not be traded without approval of the general partner or fund management.

Alternative investments are subject to all of the risks described previously relating to equities and fixed income instruments. In addition, alternative strategies and their underlying assets and rights are subject to a broad array of economic and market vagaries that can limit or erode value. The underlying assets may not be held by a custodian either because they cannot be, or because the entity has chosen not to hold them in this form. Valuations determined by the investment manager, who has a conflict of interest in that he or she is compensated for performance are considered and reviewed by the District's Investment Committee and the Board of Directors. Real assets may be subject to physical damage from a variety of means, loss from natural causes, theft of assets, lawsuits involving rights and other loss and damage including mortgage foreclosure risk. These risks may not be insured or insurable. Tangible assets are subject to loss from theft and other criminal actions and from naturals. Intangible assets are subject to legal challenge and other possible impairment.

EL CAMINO HEALTHCARE DISTRICT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The carrying amount of deposits and investments are included in the District's consolidated statements of net position as follows (in thousands):

	<u>2016</u>	<u>2015</u>
Included in the following consolidated statement of net position captions:		
Short-term investments	\$ 188,466	\$ 226,758
Current portion of board designated and funds held by trustee	15,472	9,298
Board designated, funds held by trustee, and restricted assets, less current portion	<u>537,837</u>	<u>524,969</u>
Total carrying amount of deposits and investments	<u>\$ 741,775</u>	<u>\$ 761,025</u>

NOTE 5 – FAIR VALUE

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the consolidated statements of net position at June 30, 2016 and 2015, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Mutual Funds: Shares of mutual funds are valued at the net asset value ("NAV") of shares held by the District and are valued at the closing price reported on the active market on which the individual securities are traded.

Common Stock: Common stock is valued at the closing price reported on the active market on which the individual securities are traded.

Asset-backed securities: Asset-backed securities are valued via model using various inputs such as but not limited to daily cash flow, U.S. Treasury market, floating rate Indices such as LIBOR and Prime as a benchmark yield, spread over index, periodic and life caps, next coupon adjustment date, and convertibility of the bond.

Corporate bonds, foreign bonds, and municipal bonds: Valued using pricing models maximizing the use of observable inputs for similar securities which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

U.S. Government securities: Fixed income funds are valued at the NAV of shares held by the District and are valued at the closing price reported on the active market on which the individual securities are traded.

Pooled, common & collective trusts: Investments are valued using the NAV per share of the fund. The NAV of a pooled or collective investment fund is calculated based on a compilation of primarily observable market information. The number of units of the fund that are outstanding on the calculation date is derived from observable purchase and redemption activity in the fund.

Hedge funds: The fair value of the investments is recorded at the investment managers' net asset values, as the managers have the greatest insight into the investments of their fund and the related industry and have the appropriate expertise to determine the NAV. The District assesses the NAV and takes into consideration events such as suspended redemptions, restructuring, secondary sales, and investor defaults to determine if an adjustment is necessary. Additionally, asset holdings are reviewed within investment managers' audited financial statements.

Partnership: The valuation of partnership interests may require significant management judgment. The District's ownership is based upon their percentage of limited partnership interests divided by the total commitment of the fund. Inputs used to determine fair value include financial statements provided by the investment partnerships, which typically include fair market value capital account balances.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of net position measured at fair value on a recurring basis and the level within the GASB 72 fair value hierarchy in which the fair value measurements fall at June 30 (in thousands):

Description	Level 1	Level 2	Level 3	2016
Investments by fair value level				
Asset backed securities				
Corporate backed obligations	\$ -	\$ 29,898	\$ -	\$ 29,898
Corporate bonds	-	2,034	-	2,034
Mortgage backed obligations	-	22,919	-	22,919
U.S. government mortgage pool	-	41,696	-	41,696
Common stock				
ADR & U.S. foreign stock	-	2,338	-	2,338
Corporate bonds	12,067	1,597	-	13,664
Financial services industry	1,461	-	-	1,461
Healthcare industry	2,671	751	-	3,422
Mortgage backed obligations	1,444	-	-	1,444
Telecommunication services	1,182	-	-	1,182
Other	4,316	859	-	5,175
Corporate, municipal and foreign bonds				
Corporate bonds	-	102,253	-	102,253
Private placements	-	17,973	-	17,973
U.S. government mortgage pool	-	1,227	-	1,227
U.S. treasury notes and bonds	-	1,324	-	1,324
Other	-	338	-	338
Municipal taxable	-	4,521	-	4,521
Mutual funds				
Corporate backed obligations	41,661	-	-	41,661
Corporate bonds	107,740	-	-	107,740
Mortgage backed obligations	9,146	-	-	9,146
Mutual funds - equity	69,620	-	-	69,620
Mutual funds - taxable	13,518	-	-	13,518
U.S. Government securities				
Government agencies	-	790	-	790
U.S. treasury notes and bonds	64,758	-	-	64,758
Partnership	-	-	27,070	27,070
Total investments by fair value level	<u>\$ 329,584</u>	<u>\$ 230,518</u>	<u>\$ 27,070</u>	<u>587,172</u>
Cash equivalents				<u>42,350</u>
Investments measured at NAV				
Pooled, common & collective trusts				17,092
Equity, hedge funds				32,645
Credit hedge funds				19,368
Macro hedge funds				24,506
Relative value hedge funds				17,521
Fixed income limited partnership				1,121
Total investments measured at NAV				<u>112,253</u>
Total investments				<u>\$ 741,775</u>

EL CAMINO HEALTHCARE DISTRICT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Description	Level 1	Level 2	Level 3	2015
Investments by fair value level				
Asset backed securities				
Corporate backed obligations	\$ -	\$ 39,441	\$ -	\$ 39,441
Corporate bonds	-	9,099	-	9,099
Mortgage backed obligations	-	29,620	-	29,620
U.S. government mortgage pool	-	37,159	-	37,159
Common stock				
ADR & U.S. foreign stock	-	6,298	-	6,298
Consumer discretionary	3,436	-	-	3,436
Corporate bonds	-	945	-	945
Financial services industry	7,627	-	-	7,627
Healthcare industry	8,703	-	-	8,703
Information technology	6,165	-	-	6,165
Industrials	4,533	-	-	4,533
Telecommunication services	2,032	-	-	2,032
Other	3,484	-	-	3,484
Corporate, municipal and foreign bonds				
Corporate bonds	-	112,715	-	112,715
Private placements	-	14,618	-	14,618
Municipal taxable	-	4,694	-	4,694
Other	-	171	-	171
Mutual funds				
Corporate bonds	221	-	-	221
Mutual funds - equity	205,437	-	-	205,437
Mutual funds - taxable	3,509	-	-	3,509
U.S. Government securities				
U.S. treasury notes and bonds	59,049	-	-	59,049
Partnership	-	-	28,140	28,140
Total investments by fair value level	<u>\$ 304,196</u>	<u>\$ 254,760</u>	<u>\$ 28,140</u>	<u>587,096</u>
Cash equivalents				<u>54,313</u>
Investments measured at NAV				
Pooled, common & collective trusts				17,184
Equity, hedge funds				37,571
Credit hedge funds				20,704
Macro hedge funds				23,833
Relative value hedge funds				19,124
Fixed income limited partnership				1,200
Total investments measured at NAV				<u>119,616</u>
Total investments				<u>\$ 761,025</u>

The following table provides the fair value and redemption terms and restrictions for investments redeemable NAV at June 30, 2016 (in thousands):

	2016 Fair value	2015 Fair value	Unfunded Commitment	Redemption Frequency	Redemption Notice
Pooled, common & collective trusts	\$ 17,092	\$ 17,184	\$ -	Monthly	30 days
Equity Hedge Funds	32,645	37,571	-	Quarterly	90 days
Credit Hedge Funds	19,368	20,704	-	Monthly, Quarterly	15 - 60 days
Macro Hedge Funds	24,506	23,833	-	Monthly, Quarterly	5 - 90 days
Relative Value Hedge Funds	17,521	19,124	-	Quarterly, Annually	45 days
Fixed income limited partnership	1,121	1,200	-	Monthly	1 day
Total investments measured at NAV	<u>\$ 112,253</u>	<u>\$ 119,616</u>			
Partnership	<u>\$ 27,070</u>	<u>\$ 28,140</u>	<u>\$ 8,218</u>	n/a	n/a

Pooled, common & collective trusts - includes investments in 1 small cap fund that invest in domestic equity. Investments are valued using the NAV per share of the fund. The NAV per share is based on the value of the underlying assets owned by the fund, minus its liabilities, divided by the number of shares outstanding.

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Equity Hedge Funds - includes investments in 7 hedge funds that employ both long and short strategies primarily in US common stocks. Equity hedge strategies typically have a directional bias (long or short) and trade in equities and equity related derivatives. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investments representing approximately 11% of the value of the investments in this type include restrictions such as certain classes with side pocket investments which may only be redeemed upon realization of the underlying investments.

Credit Hedge Funds - includes investments in 3 hedge funds that is comprised of distressed securities, credit long/short, emerging market debt and credit event driven. Credit hedge strategies typically have a directional bias and involve the purchase of various types of debt, equity, trade claims and fixed income securities. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investments representing approximately 76% of the value of the investments in this type include restrictions that do not allow for redemptions in the first year after acquisition and other imposed gates.

Macro Hedge Funds - includes investments in 4 hedge funds that invests in global macro, managed futures, commodities and currencies. Macro hedge strategies typically have a directional bias and involve the purchase of a variety of securities and/or derivatives related to major markets. Managed future strategies trade similar instruments but are typically implemented by computerized system. The fair values of the investments in this type have been determined using the NAV per share of the investments.

Relative Value Hedge Funds - includes investments in 3 hedge funds that typically does not display a distinct directional bias. Relative Value encompasses a range of strategies covering different asset classes. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments, except for 1 investment, calculated based upon a percentage of limited partnership interest. Inputs used to determine fair value include financial statements provided by the investment partnership, which typically include fair market value of capital account balances. Investments representing approximately 67% of the value of the investments may include lock up, imposed gates, and other restrictions that preclude them from redeeming their share or ownership interest for an uncertain or extended period of time from the measurement date.

Fixed income limited partnership - includes investments in a limited partnership fund of funds that invest primarily in investment grade non-US dollar denominated fixed income securities. The fund may enter into swap agreements, forward settlement agreements, futures, contracts, and options on future contracts as well as purchase and sell covered put and call options. Investments are valued using the NAV per share of the fund. There is a provision in the limited partnership agreement that allows the general partner to limit redemption under certain circumstances.

Partnership - investments in closed-end, commitment based private equity real estate partnerships. The valuation of partnership interests in these funds may require significant management judgment. The District's ownership is based upon their percentage of limited partnership interests divided by the total commitment of the fund. Inputs used to determine fair value include financial statements provided by the investment partnerships, which typically include fair market value capital account balances. These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund.

EL CAMINO HEALTHCARE DISTRICT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016, is as follows (in thousands):

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated				
Land	\$ 55,130	\$ 28,332	\$ -	\$ 83,462
Construction in progress	46,318	-	481	45,837
	<u>101,448</u>	<u>28,332</u>	<u>481</u>	<u>129,299</u>
Capital assets being depreciated				
Land improvement	13,872	-	-	13,872
Buildings	733,423	26,460	4,672	755,211
Capital equipment	330,050	38,936	31,645	337,341
	<u>1,077,345</u>	<u>65,396</u>	<u>36,317</u>	<u>1,106,424</u>
Less accumulated depreciation for				
Land improvement	7,414	820	-	8,234
Buildings	240,233	22,742	4,671	258,304
Capital equipment	232,710	25,489	32,141	226,058
	<u>480,357</u>	<u>49,051</u>	<u>36,812</u>	<u>492,596</u>
Total capital assets being depreciated, net	<u>596,988</u>	<u>16,345</u>	<u>(495)</u>	<u>613,828</u>
Total capital assets, net	<u>\$ 698,436</u>	<u>\$ 44,677</u>	<u>\$ (14)</u>	<u>\$ 743,127</u>

Capital assets activity for the year ended June 30, 2015, is as follows (in thousands):

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated				
Land	\$ 55,130	\$ -	\$ -	\$ 55,130
Construction in progress	24,404	21,914	-	46,318
	<u>79,534</u>	<u>21,914</u>	<u>-</u>	<u>101,448</u>
Capital assets being depreciated				
Land improvement	13,872	-	-	13,872
Buildings	723,628	11,733	1,938	733,423
Capital equipment	283,813	47,410	1,173	330,050
	<u>1,021,313</u>	<u>59,143</u>	<u>3,111</u>	<u>1,077,345</u>
Less accumulated depreciation for				
Land improvement	6,505	909	-	7,414
Buildings	220,318	20,628	713	240,233
Capital equipment	210,374	23,376	1,040	232,710
	<u>437,197</u>	<u>44,913</u>	<u>1,753</u>	<u>480,357</u>
Total capital assets being depreciated, net	<u>584,116</u>	<u>14,230</u>	<u>1,358</u>	<u>596,988</u>
Total capital assets, net	<u>\$ 663,650</u>	<u>\$ 36,144</u>	<u>\$ 1,358</u>	<u>\$ 698,436</u>

EL CAMINO HEALTHCARE DISTRICT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Construction contracts of approximately \$153,443,000 exist for the construction of various projects including upgrading the Los Gatos campus, and Los Gatos seismic upgrades. At June 30, 2016, the remaining commitment on these contracts approximated \$71,516,000.

NOTE 7 – EMPLOYEE BENEFIT PLANS

The Hospital sponsors a cash-balance pension plan (the “Plan”), which has been in effect since January 1, 1995. The Plan covers employees who are 21 years of age and have completed one year of credited service. Participants are entitled to a lump-sum distribution or monthly benefits at age 65 based on a predetermined formula that considers years of service and compensation. Effective July 1, 1999, employer Plan benefits are calculated as 5% of a participant’s annual plan compensation, and the annual interest is an indexed rate based on the return on ten-year U.S. treasury securities. Participants are fully vested in their account balances after five pension years.

Certain retired and terminated employees and certain participants covered by a collective bargaining agreement continue to participate under provisions of a defined-benefit retirement plan in effect prior to January 1, 1995. Participant data for the Plan, as of the measurement date January 1 for the indicated years is as follows:

	2016	2015
Active	2,706	2,677
Retirees and beneficiaries	481	460
Vested terminated	924	897
Total participants	<u>4,111</u>	<u>4,034</u>

Components of pension cost and deferred outflows and inflows of resources as calculated under the requirements of GASB No. 68 are as follows (in thousands):

Deferred outflows of resources	2016	2015
Deferred outflows of resources as of June 30:		
Difference between expected and actual experience	\$ 414	\$ 519
Changes in assumptions	636	799
Difference between projected and actual investment earnings	8,900	1,336
Total	<u>\$ 9,950</u>	<u>\$ 2,654</u>
Deferred inflows of resources as of June 30:		
Difference between expected and actual experience	\$ (1,236)	\$ -
Changes in assumptions	(1,656)	-
Difference between projected and actual investment earnings	-	-
Total	<u>\$ (2,892)</u>	<u>\$ -</u>
Contributions between the measurement date and fiscal year end recognized as a deferred outflow of resources	<u>\$ 5,100</u>	<u>\$ 7,200</u>

EL CAMINO HEALTHCARE DISTRICT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amounts reported as deferred outflows and inflows of resources to pensions will be recognized in pension expense are as follows (in thousands):

Future Years' Recognition of

2017	\$ 1,995
2018	1,995
2019	1,995
2020	1,639
2021	(564)

The following table summarizes changes in pension liability for fiscal year ended June 30, 2016 and 2015, with a measurement date of December 31, 2015 and 2014, respectively, (in thousands):

Total pension liability	2016	2015
Service cost	\$ 8,411	\$ 7,757
Interest	11,509	10,892
Changes of benefit terms	-	-
Differences between expected and actual experience	(1,484)	625
Changes of assumptions	(1,990)	961
Benefit payments	(11,252)	(9,982)
Net change in total pension liability	5,194	10,253
Total pension liability beginning of fiscal year	188,954	178,701
Total pension liability end of fiscal year	<u>\$ 194,148</u>	<u>\$ 188,954</u>
	2016	2015
	with Measurement	with Measurement
	Date of	Date of
	12/31/2015	12/31/2014
Total pension liability	\$ 194,148	\$ 188,954
Plan fiduciary net position	216,799	213,281
Net pension liability	<u>\$ (22,651)</u>	<u>\$ (24,327)</u>
Plan's fiduciary net position as a percentage of total pension liability	111.67%	112.87%
Covered payroll	\$ 283,776	\$ 266,844
Net pension liability as a percentage of covered payroll	-7.98%	-9.12%
Contributions between the measurement date and year ended June 30, 2016 as deferred outflow of resources	\$ 5,100	\$ 7,200

EL CAMINO HEALTHCARE DISTRICT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes the actuarial assumptions used to determine net pension liability and plan fiduciary net position as of June 30, 2016 and 2015:

Assumptions

Valuation Date	Contributions related to the actuarially determined contributions are made for the plan year January 1 to December 31.
Actuarial Cost Method	Entry Age Normal Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions	
Projected Salary Increases	4.00%
Mortality	Based on the RE-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006 and project with Mortality Improvement Scale MP-2015
Discount Rate	6.00%

Sensitivity of the Net Pension Liability (in thousands):

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net Pension Liability (Asset) as of December 31, 2015	\$ (12)	\$ (22,651)	\$ (41,400)
Net Pension Liability (Asset) as of December 31, 2014	\$ (1,653)	\$ (24,327)	\$ (43,223)

Eligible employees of the Hospital may also elect to participate in a separate deferred compensation plan (the 403(b) plan) pursuant to Section 403(b) of the Code. The Hospital acts as the administrator and sponsor, and the 403(b) plan's assets are held by trustees designated by the Hospital's management. Employees are eligible to participate upon employment, and participants are immediately vested in their elective contributions plus actual earnings thereon. The Hospital will match employee contributions to the 403(b) plan, subject to a maximum of 4% of each participant's annual plan compensation. Participants are eligible for employer match in the second plan year in which they work at least 1,000 hours, and they must be on the payroll at the end of the plan year (December 31). Employer matching contributions under the 403(b) plan are made to the cash-balance pension plan and earn interest as defined by that plan. Employer matching contributions to the 403(b) plan of \$9,853,000 and \$9,183,000 in 2016 and 2015, respectively, are included in benefits expense. Participants are immediately vested in the employer contributions included in the cash-balance pension plan.

The Hospital's net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The actuarial valuation was determined using the following assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the consolidated financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 8 – POSTRETIREMENT MEDICAL BENEFITS

The Hospital provides healthcare benefits and life insurance for retired employees who meet eligibility requirements as outlined in the plan document, as approved by the board of directors of the Hospital. All employees who attain age 55 with a minimum of 20 years of enrollment in the Hospital's healthcare program and are enrolled in one of the plans upon retirement, and who were hired prior to July 1, 1994, are eligible. Under the plan, employees are credited with employment history accumulated under a prior Hospital plan.

Benefits are funded by the Hospital on a pay-as-you go basis. If a participant terminates from the Hospital after 20 years of enrollment but before reaching age 62, he or she can choose to contribute to the plan between ages 55 and 61 to retain the plan's benefits. At age 62, eligible retirees are given an annual credit based on years of service to pay for health benefits. As of June 30, 2016 and 2015, approximately 381 and 413 employees and former employees, respectively, were eligible to participate in the plan. For the fiscal years ended June 30, 2016 and 2015, the Hospital contributed \$592,000 and \$525,000, respectively, to fund benefits paid in those years.

The Hospital's annual postretirement benefit cost is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with parameters of GASB Codification Section P50, *Postemployment Benefits Other Than Pension Benefits - Employer Reporting*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Hospital's annual postretirement benefit cost, the amount actually contributed to the plan, and the changes in the Hospital's postretirement benefit obligation (in thousands):

	<u>2016</u>	<u>2015</u>
Annual required contribution	\$ 1,946	\$ 1,711
Interest on postretirement benefit obligation	731	692
Adjustment to annual required contribution	<u>(1,025)</u>	<u>(971)</u>
Annual postretirement benefit expense	1,652	1,432
Employer contributions	<u>(593)</u>	<u>(525)</u>
Increase in accumulated benefit obligation	<u>\$ 1,059</u>	<u>\$ 907</u>
Postretirement benefit obligation, beginning of the year	\$ 17,197	\$ 16,290
Postretirement benefit obligation, end of the year	\$ 18,256	\$ 17,197

The Hospital's annual postretirement benefit cost, the percentage of annual postretirement benefit cost contributed to the plan, and the postretirement benefit obligation for 2016 and the two preceding years were as follows (in thousands):

	<u>Annual Postretirement Benefit Expense</u>	<u>Percentage of Annual Postretirement Benefit Expense Contributed</u>	<u>Postretirement Benefit Obligation</u>
Fiscal Year Ended			
June 30, 2014	\$ 1,984	26.51%	\$ 16,290
June 30, 2015	\$ 1,432	36.66%	\$ 17,197
June 30, 2016	\$ 1,652	35.90%	\$ 18,256

EL CAMINO HEALTHCARE DISTRICT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of July 1, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$25,665,000, resulting in an unfunded actuarial accrued liability ("UAAL") of \$26,069,000. The covered payroll (annual payroll of active employees covered by the plan) was \$38,411,000, and the ratio of the UAAL to the covered payroll was 66.82%.

The measurement date for the baseline actuarial analysis as of June 30, 2016 and 2015, is July 1, 2015 and June 30, 2013, respectively. For measurement purposes, annual rates of increase in the per capita cost of covered healthcare benefits of 9% were assumed for both fiscal years 2016 and 2015. The rate was assumed to decrease gradually to 4.5% over the next six years and remain at that level thereafter as of June 30, 2016 and June 30, 2015. The dental benefit trend rate was assumed to be 4.5% in all future years for 2016 and 2015, respectively. The discount rate used was 4.25% for both 2016 and 2015. The UAAL is being amortized as a level percentage over 30 years on an open basis.

NOTE 9 – INSURANCE PLANS

The Hospital purchases professional, general, automobile, and directors and officers liability insurance from BETA Healthcare Group ("BHG"), and also purchases all-risk property insurance (including limited flood), fiduciary, crime, cyber, and excess workers' compensation coverage needs from Alliant Insurance Services ("Alliant"). The Hospital's coverage is under a claims-made policy with limits of \$30 million per occurrence, \$40 million in the annual aggregate, and with a self-insured retention level of \$50,000 per claim.

There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted from services provided to patients. The Hospital has actuarial estimates performed annually on its self-insurance plans of professional liability and workers' compensation benefits. Estimated liabilities (which have not been discounted) have been actuarially determined at an expected 75% confidence level and include an estimate of incurred, but not reported, claims. The balances are included in salaries and wages payable, workers' compensation and other long-term liabilities in the accompanying consolidated statements of net position.

NOTE 10 – BONDS PAYABLE

Bonds payable consists of the following obligations (in thousands):

	2016		
	Balance at June 30, 2015	Increases	Decreases
General obligation bonds	\$ 138,698	\$ -	\$ 2,238
Revenue bonds	227,921	-	6,900
	<u>\$ 366,619</u>	<u>\$ -</u>	<u>\$ 9,138</u>
	2015		
	Balance at June 30, 2014	Increases	Decreases
General obligation bonds	\$ 140,533	\$ -	\$ 1,835
Revenue bonds	181,452	177,921	131,452
	<u>\$ 321,985</u>	<u>\$ 177,921</u>	<u>\$ 133,287</u>
	Balance at		
	June 30, 2016		June 30, 2015
General obligation bonds	\$ 136,460		\$ 138,698
Revenue bonds	221,021		227,921
	<u>\$ 357,481</u>		<u>\$ 366,619</u>

General obligation bonds – Upon voter approval, in November 2003, the District issued in 2006, \$148,000,000 principal amount of General Obligation Bonds, which consists of \$115,665,000 of Current Interest Bonds, and \$32,335,000 of Capital Appreciation Bonds. Interest on the Current Interest Bonds is payable semiannually at rates ranging from 4% to 5% and principal maturities ranging from \$2,065,000 in 2016 to \$18,050,000 in 2036 are due annually on August 1. Interest at rates ranging from 4.38% to 4.48% and principal of the Capital Appreciation Bonds are payable only at maturity.

EL CAMINO HEALTHCARE DISTRICT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Current Interest Bonds maturing on or before August 1, 2016, are not subject to redemption. The Current Interest Bonds maturing on or after August 1, 2017, may be redeemed prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after February 1, 2017, at a redemption price equal to the principal amount of the Current Interest Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

The Bonds are general obligations of the District payable from ad valorem taxes. Payment of principal, interest and maturity value of the Bonds, when due, is insured by a municipal bond insurance policy.

Revenue Bonds, Series 2009 – In April 2009, the Hospital issued \$50,000,000 of Santa Clara County Financing Authority Insured Revenue Bonds, Series 2009A to fund completion of the Hospital Replacement construction project. Interest on the Bonds is payable on the Business Day immediately following the applicable Remarketing Period. Principal maturities on the bonds range from \$100,000 in 2025 to \$10,920,000 in 2044, and are due annually on February 1.

The 2009 Series Revenue bond agreement contains various restrictive covenants which include, among other things, minimum debt service coverage, maintenance of minimum liquidity, and requirement to maintain certain financial ratios.

The bonds are secured by a pledge of gross revenues to an Indenture of Trust ("Indenture") dated March 16, 2007. The Indenture contains certain covenants that, among other things, require the District to deposit all Gross Revenues of the Hospital as soon as practicable upon receipt. The Indenture also requires the Hospital to maintain a long-term debt service coverage ratio of 1.15 to 1. Failure to comply with the restrictive covenants of the Indenture could result in all of the unpaid principal and accrued interest of the bonds becoming due immediately, at the option of the trustee.

Revenue Bonds, Series 2015 – In May 2015, the Hospital advance refunded its Series 2007 Santa Clara County Financing Authority Insured Revenue Bonds ("Series 2007") through the issuance of the \$160,455,000 of Santa Clara County Financing Authority Insured Revenue Bonds ("Series 2015A"). The issuance of the Series 2015A is to (i) finance and refinance certain capital expenditures owned by the Hospital (the Project - \$40,300,000), (ii) advance refund (\$120,100,000) the Santa Clara County Financing Authority Insured Revenue Bonds of the Hospital Series 2007A, 2007B, and 2007C, and (iii) pay costs incurred in the connection of the issuance of the Bonds.

Letter of credit – In March 2009, in connection with the issuance of the 2009 Series Revenue bonds, the Hospital obtained an irrevocable Letter of Credit issued by a bank for \$50,000,000. This Letter of Credit expires **April 2017** and requires the Hospital to maintain a long-term debt service coverage ratio of 1.20 to 1.

Interest costs – Interest costs incurred for the years ended June 30, 2016 and 2015, are (in thousands):

	June 30,	
	2016	2015
Operating expense	\$ 6,368	\$ 4,904
Nonoperating expense	4,523	4,604
	<u>\$ 10,891</u>	<u>\$ 9,508</u>

EL CAMINO HEALTHCARE DISTRICT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Debt service requirements for bonds payable are as follows (in thousands):

Year Ending June 30,	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 2,485	\$ 4,690	\$ 3,635	\$ 7,224
2018	2,950	4,578	53,735	7,115
2019	3,440	4,460	3,850	7,003
2020	4,005	4,288	3,965	6,887
2021	4,615	4,088	4,125	6,729
2022-2026	21,372	29,011	23,490	29,500
2027-2031	18,368	45,886	27,975	25,301
2032-2036	60,995	20,740	32,530	16,791
2037-2041	18,050	803	37,725	8,161
2042-2046	-	-	13,950	2,075
	<u>\$ 136,280</u>	<u>\$ 118,544</u>	<u>\$ 204,980</u>	<u>\$ 116,786</u>

Interest rate swap – On March 7, 2007, the Hospital entered into three interest rate swap agreements in connection with the issuance of the Series 2007 Revenue Bonds. The intention of the swap is to create debt with a synthetic, fixed interest rate on the variable-rate Revenue Bonds. The swaps were effective March 23, 2007, with a termination date of February 1, 2041, and notional amounts of \$50 million each, these terms match the terms of the underlying Series 2007 Revenue Bonds. Under each swap transaction, the Hospital pays a fixed rate of interest of 3.204% and the counterparty pays a variable rate of interest equal to the sum of (i) 56% of USD-LIBOR-BBA plus (ii) .23%. In March 2008, the Hospital Board directed management to terminate the floating to fixed interest rate swap when economically prudent in connection with the refunding of their Series 2007 Revenue Bonds. In December 2009, two of the three swaps were terminated. The fair value of the remaining swap is a liability of \$11,041,000 at June 30, 2016, and \$7,827,000 at June 30, 2015, included in other long-term obligations in the consolidated statements of net position.

Risks associated with the swap agreements – From the Hospital's perspective, the following risks are generally associated with swap agreements:

Credit risk – The counterparty becomes insolvent or is otherwise not able to perform its financial obligations. In the event the counterparty becomes insolvent or their credit rating falls below BBB-/Baa2 the Hospital has the right to terminate the swap. Upon exercise of early termination the amounts due from or to the counterparty will be determined by the market pricing of the swaps at the time of termination.

Termination risk – The Hospital or counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If, at the time of the termination, the swap has a negative fair value, the Hospital would be liable to the counterparty for that payment.

NOTE 11 – RESTRICTED NET POSITION

Restricted net position consists of donor-restricted contributions and grants and cash restricted for regulatory requirements, which are to be used as follows (in thousands):

	<u>2016</u>	<u>2015</u>
Charity and other	\$ 11,599	\$ 7,460
Endowments	<u>2,658</u>	<u>2,185</u>
Restricted by donor for specific uses	14,257	9,645
Restricted by Department of Managed Health Care	<u>50</u>	<u>50</u>
Total restricted net position	<u>\$ 14,307</u>	<u>\$ 9,695</u>

Permanently restricted contributions (“endowments”) remain intact, with the earnings on such funds providing an ongoing source of revenue to be used primarily for education.

NOTE 12 – CHARITABLE REMAINDER UNITRUSTS

The Foundation is the beneficiary of several irrevocable charitable remainder unitrusts in which the gift assets are held by trustees and administered for the benefit of the Foundation and other beneficiaries. The assets are held under trust agreements with an outside trustee. The donors maintain the right to income earned on the assets during their lifetime and, in some cases, during the lifetime of their survivors.

Pursuant to GASB 81, the Foundation recognizes an asset and a deferred inflow of resources when it becomes aware of the agreements and has sufficient information to measure the beneficial interest, in accordance with the asset recognition criteria in GASB 81. The beneficial interest asset is measured at fair value, which is estimated as the present value of the expected future cash flows from trusts. The applicable federal discount rate for June 2016 and June 2015 of 1.8% and 3.14% per annum and The Standard Ordinary Mortality Rate Table were used to arrive at the present value. Change in the fair value of the beneficial interest asset is recognized as an increase or decrease in the related deferred inflow of resources. As the remainder interest beneficiary, the Foundation recognizes revenue for the beneficial interest at the termination of the agreement, as stipulated in the agreements.

NOTE 13 – RELATED PARTY TRANSACTIONS

The Hospital pays vendor-related expenses on behalf of the Foundation and is reimbursed for these costs incurred. The Hospital also pays employee-related expenses, which are reimbursed by the Foundation. The Foundation’s employees also participate in the cash-balance pension plan, sponsored by the Hospital. Full footnote disclosures relating to the cash-balance pension plan is included in the consolidated financial statements. The Hospital performs certain administrative functions on behalf of the Foundation for which no amounts are charged to the Foundation. As of June 30, 2016 and 2015, the Foundation has a payable to the Hospital in the amount of \$523,000 and \$334,000, respectively. During the fiscal years 2016 and 2015, the Foundation paid the Hospital \$2,881,000 and \$3,586,000 for such expenses, respectively, which included amounts for operations, but also disbursements from Donor Restricted Funds in support of Hospital operations and capital acquisitions.

In June 2012, the Hospital Board approved the funding of the Foundation’s salaries, wages, and benefits for fiscal year 2016 and 2015, thus along with the 2012 fiscal year approved funding of the Foundation’s rent provided a maximum funding of \$1,783,000 for both items on an ongoing basis. All related party transactions are eliminated upon consolidation.

EL CAMINO HEALTHCARE DISTRICT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Effective May 6, 2013, ECSC sold certain medical equipment, furnishings, fixtures, inventories, and other tangible personal property in exchange for a seven and one half percent (7.5%) interest in El Camino Ambulatory Surgery Center, ("ECASC"). As of March 2015, ECSCs' interest in ECASC has change to 33.4%. ECSC has provided a working capital line of credit to ECASC in a principal amount of \$750,000 represented by a Promissory Note and has a term of 39 months with an interest rate of 5% per annum. At June 30, 2016 and June 30, 2015, there was a total draw of \$484,500, and \$414,000 against the line of credit, respectively. On August 29, 2016, this line of credit was paid off.

The Hospital leases the space to ECASC and provides certain services, such as utilities and building/equipment maintenance. There was \$702,000 of rental income recorded for the year ended June 30, 2016, and \$717,000 of rental income recorded for the year ended June 30, 2015, related to the lease.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Litigation – The District is a defendant in various legal proceedings arising out of the normal conduct of its business. In the opinion of management and its legal representatives, the District has valid and substantial defenses, and settlements or awards arising from legal proceedings, if any, will not exceed existing insurance coverage, nor will they have a material adverse effect on the financial position, results of operations, or liquidity of the District.

Lease commitments – The District is obligated for land and office rental under the terms of various operating lease agreements. Following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2016 (in thousands):

	Operating Lease Commitments	Lease Income	Net Lease Benefit
2017	\$ 2,244	\$ 9,260	\$ 7,016
2018	2,260	7,712	5,452
2019	2,264	3,576	1,312
2020	2,283	2,478	195
2021	1,999	1,480	(519)
Thereafter	27,005	1,452	(25,553)
	<u>\$ 38,055</u>	<u>\$ 25,958</u>	<u>\$ (12,097)</u>

Total rental expense in 2016 and 2015 for all operating leases was approximately \$2,072,000 and \$1,657,000, respectively.

Regulatory environment – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. The District is subject to routine surveys and reviews by federal, state and local regulatory authorities. The District has also received inquiries from healthcare regulatory authorities regarding its compliance with laws and regulations. Although the District management is not aware of any violations of laws and regulations, it has received corrective action requests as a result of completed and on-going surveys from applicable regulatory authorities. Management continually works in a timely manner to implement operational changes and procedures to address all corrective action requests from regulatory authorities. Breaches of these laws and regulations and noncompliance with survey corrective action requests could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Hospital Seismic Safety Act – In the 2010 fiscal year, the Mountain View campus completed its three year construction of the Hospital Replacement Project with the opening of its new five story, 450,000 square foot, state-of-the-art hospital facility on November 15, 2009. This completion made the Mountain View hospital campus in compliance with the State of California’s Senate Bill (“SB”) 1953 in meeting all requirements of the Hospital Seismic Safety Act of 1994.

At the Los Gatos campus, where most of the buildings were constructed in the 1960’s, the campus has been going through a seismic compliance review. All required seismic upgrades to make the Los Gatos site in seismic compliance to 2030 were completed during 2015.

NOTE 15 – HEALTH CARE REFORM

On March 23, 2010, the Patient Protection and Affordable Care Act (“PPACA”) was signed into law. On March 30, 2010, the Health Care and Education Reconciliation Act of 2010 was signed, amending the PPACA (collectively the “Affordable Care Act”). The Affordable Care Act addresses a broad range of topics affecting the healthcare industry, including a significant expansion of healthcare coverage. The expansion is accomplished primarily through incentives to individuals to obtain and employers to provide healthcare coverage and an expansion in Medicaid eligibility. The Affordable Care Act also includes incentives for medical research and the use of electronic health records, changes designed to curb fraud, waste and abuse, and creates new agencies and demonstration projects to promote the innovation and efficiency in the healthcare delivery system. Some provisions of the healthcare reform legislation were effective immediately; others will be phased in through 2016. Further legislative policies are required for several provisions that will be effective in future years. The impact of this legislation will likely affect the District. The effect of the changes that will be required in future years are not determinable at this time.

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated statement of net position date but before the consolidated financial statements are available to be issued. The District recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the consolidated statement of net position date, including the estimates inherent in the process of preparing the consolidated financial statements. The District’s consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the consolidated statement of net position date but arose after the consolidated statement of net position date and before consolidated financial statements are available to be issued.

OPEN FOR LETTER OF CREDIT EXTENTION

SUPPLEMENTARY INFORMATION

EL CAMINO HEALTHCARE DISTRICT
CONSOLIDATING STATEMENT OF NET POSITION
June 30, 2016
(In Thousands)

	El Camino Healthcare District	El Camino Hospital	El Camino Hospital Foundation	CONCERN	El Camino Surgery Center, LLC	Silicon Valley Medical Development	Eliminations	El Camino Healthcare District and Affiliates
ASSETS								
Current assets								
Cash and cash equivalents	\$ 2,694	\$ 59,169	\$ 23	\$ 1,003	\$ 363	\$ 170	\$ -	\$ 63,422
Short-term investments	4,861	168,833	1,730	13,042	-	-	-	188,466
Current portion of board designated and funds held by trust	15,472	-	-	-	-	-	-	15,472
Patient accounts receivable, net of allowances for doubtful accounts of \$25,927	-	120,960	-	610	-	-	-	121,570
Prepaid expenses and other current assets	80	23,596	108	233	484	123	(2,444)	22,180
Total current assets	23,107	372,558	1,861	14,888	847	293	(2,444)	411,110
Non-current cash and investments								
Board-designated funds	9,679	456,406	25,409	-	-	-	-	491,494
Restricted funds	-	-	-	50	-	-	-	50
Funds held by trustee	15,452	30,841	-	-	-	-	-	46,293
	25,131	487,247	25,409	50	-	-	-	537,837
Capital assets, net	11,449	731,525	68	75	-	10	-	743,127
Pledges receivable, net of current portion	-	-	2,683	-	-	-	-	2,683
Prepaid pension asset	-	22,651	-	-	-	-	-	22,651
Investments in health care affiliates	-	31,627	-	-	1,541	-	(2,699)	30,469
Beneficial interest in charitable remainder unitrust	-	-	3,596	-	-	-	-	3,596
Total assets	59,687	1,645,608	33,617	15,013	2,388	303	(5,143)	1,751,473
Deferred outflows of resources								
Loss on defeasance of bond payable	-	14,764	-	-	-	-	-	14,764
Deferred outflows of resources	-	5,100	-	-	-	-	-	5,100
Deferred outflows - actuarial	-	9,950	-	-	-	-	-	9,950
Total deferred outflows	-	29,814	-	-	-	-	-	29,814
Total assets and deferred outflows	\$ 59,687	\$ 1,675,422	\$ 33,617	\$ 15,013	\$ 2,388	\$ 303	\$ (5,143)	\$ 1,781,287

EL CAMINO HEALTHCARE DISTRICT
CONSOLIDATING STATEMENT OF NET POSITION (CONTINUED)
June 30, 2016
(In Thousands)

	El Camino Healthcare District	El Camino Hospital	El Camino Hospital Foundation	CONCERN	El Camino Surgery Center, LLC	Silicon Valley Medical Development	Eliminations	El Camino Healthcare District and Affiliates
LIABILITIES AND NET POSITION								
Current liabilities								
Accounts payable and accrued expenses	\$ -	\$ 28,149	\$ -	\$ 798	\$ 22	\$ 29	\$ (25)	\$ 28,973
Salaries, wages, and related liabilities	-	48,575	-	462	-	16	-	49,053
Other current liabilities	3,107	13,310	1,041	1,715	-	-	(2,419)	16,754
Estimated third-party payor settlements	-	11,314	-	-	-	-	-	11,314
Current portion of bonds payable	2,663	5,482	-	-	-	-	-	8,145
Total current liabilities	5,770	106,830	1,041	2,975	22	45	(2,444)	114,239
Bonds payable, net of current portion	133,797	215,539	-	-	-	-	-	349,336
Other long-term obligations	-	13,955	-	-	-	-	-	13,955
Workers' compensation, net of current portion	-	20,009	-	-	-	-	-	20,009
Post-retirement medical benefits, net of current portion	-	18,256	-	-	-	-	-	18,256
Total liabilities	139,567	374,589	1,041	2,975	22	45	(2,444)	515,795
Deferred inflows of resources								
Deferred inflows of resources	-	-	3,596	-	-	-	-	3,596
Deferred inflows of resources - actuarial	-	2,892	-	-	-	-	-	2,892
Total deferred inflows of resources	-	2,892	3,596	-	-	-	-	6,488
Net position								
Invested in capital assets, net of related debt	(94,087)	541,345	68	75	-	-	-	447,401
Restricted - expendable	-	-	11,599	-	-	-	-	11,599
Restricted - nonexpendable	-	-	2,658	50	-	-	-	2,708
Unrestricted	14,207	756,596	14,655	11,913	2,366	258	(2,699)	797,296
Total net position	(79,880)	1,297,941	28,980	12,038	2,366	258	(2,699)	1,259,004
Total liabilities, deferred inflows of resources, and net position	\$ 59,687	\$ 1,675,422	\$ 33,617	\$ 15,013	\$ 2,388	\$ 303	\$ (5,143)	\$ 1,781,287

EL CAMINO HEALTHCARE DISTRICT
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2016
(In Thousands)

	El Camino Healthcare District	El Camino Hospital	El Camino Hospital Foundation	CONCERN	El Camino Surgery Center, LLC	Silicon Valley Medical Development	Eliminations	El Camino Healthcare District and Affiliates
Operating revenues								
Net patient service revenue (net of provision for bad debts of \$18,966)	\$ -	\$ 772,020	\$ -	\$ -	\$ -	\$ 153	\$ -	\$ 772,173
Other revenue	88	23,636	-	13,183	15	-	(2,685)	34,237
Total operating revenues	88	795,656	-	13,183	15	153	(2,685)	806,410
Operating expenses								
Salaries, wages and benefits	-	435,184	1,430	3,452	-	85	(274)	439,877
Professional fees and purchased services	413	98,019	1,204	7,128	52	156	(134)	106,838
Supplies	-	117,988	107	-	1	-	-	118,096
Depreciation and amortization	253	48,748	45	5	-	-	-	49,051
Rent and utilities	-	15,389	13	346	-	9	(88)	15,669
Other	-	25,487	134	347	(49)	-	(95)	25,824
Total operating expenses	666	740,815	2,933	11,278	4	250	(591)	755,355
(Loss) income from operations	(578)	54,841	(2,933)	1,905	11	(97)	(2,094)	51,055
Nonoperating revenues (expenses):								
Investment income (expense), net	441	(1,697)	741	593	(292)	-	-	(214)
Property tax revenue								
Designated for community benefit programs and operating expenses	7,626	-	-	-	-	-	-	7,626
Designated for capital expenditures	6,171	-	-	-	-	-	-	6,171
Levied for debt service	9,836	-	-	-	-	-	-	9,836
Bond interest expense	(4,523)	-	-	-	-	-	-	(4,523)
Intergovernmental transfer expense	(802)	-	-	-	-	-	-	(802)
Restricted gifts, grants and bequests, and other, net of contributions to related parties	-	-	6,815	-	-	-	223	7,038
Unrealized loss on interest rate swap	-	(3,214)	-	-	-	-	-	(3,214)
Community benefit expense	(5,986)	(2,716)	-	-	-	-	2,653	(6,049)
Other, net	-	(2,891)	-	(675)	-	250	511	(2,805)
Total nonoperating revenues (expenses)	12,763	(10,518)	7,556	(82)	(292)	250	3,387	13,064
Excess (deficit) of revenues over expenses before capital transfers	12,185	44,323	4,623	1,823	(281)	153	1,293	64,119
Capital transfers	217	1,365	(196)	(1,386)	-	-	-	-
Increase (decrease) in net position	12,402	45,688	4,427	437	(281)	153	1,293	64,119
Total net (deficit) position, beginning of year	(92,282)	1,252,253	24,553	11,601	2,647	105	(3,992)	1,194,885
Total net (deficit) position, end of year	\$ (79,880)	\$ 1,297,941	\$ 28,980	\$ 12,038	\$ 2,366	\$ 258	\$ (2,699)	\$ 1,259,004

EL CAMINO HEALTHCARE DISTRICT
SUPPLEMENTAL PENSION AND POSTRETIREMENT BENEFIT INFORMATION
For the Years Ended June 30, 2016 and 2015

Supplemental pension information – The following tables summarize changes in net pension liability (in thousands):

Total pension liability	2016	2015
Service cost	\$ 8,411	\$ 7,757
Interest	11,509	10,892
Changes of benefit terms	-	-
Differences between expected and actual experience	(1,484)	625
Changes of assumptions	(1,990)	961
Benefit payments	(11,252)	(9,982)
Net change in total pension liability	5,194	10,253
Total pension liability beginning of fiscal year	188,954	178,701
Total pension liability end of fiscal year	\$ 194,148	\$ 188,954
Plan fiduciary net position	2016	2015
Contributions	\$ 12,000	\$ 13,800
Net investment income	2,941	10,388
Benefit payments, including refunds of member contributions	(11,252)	(9,983)
Administrative expenses	(171)	-
Net change in Plan fiduciary net position	3,518	14,205
Plan fiduciary net position beginning of fiscal year	213,281	199,076
Plan fiduciary net position end of fiscal year	216,799	213,281
Plan's net pension liability end of the fiscal year	\$ (22,651)	\$ (24,327)
Covered payroll	\$ 283,776	\$ 266,844
Net pension liability as a percentage of covered payroll	-7.98%	-9.12%
Contributions	\$ 5,100	\$ 7,200

EL CAMINO HEALTHCARE DISTRICT
SUPPLEMENTAL PENSION AND POSTRETIREMENT BENEFIT INFORMATION
For the Years Ended June 30, 2016 and 2015

The following table summarizes the contribution status of the Hospital's cash-balance pension plan (in thousands) over the last 10 years:

	FY2016	FY2015	FY2014	FY2013	FY2012
Actuarially determined contribution	2,735	8,808	8,463	7,613	1,400
Contributions related to actuarially determined contribution	9,900	6,000	14,400	12,000	11,005
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	283,776	266,844	242,343	223,754	208,910
Contribution as % of covered payroll	3.49%	2.25%	5.94%	5.36%	5.27%
Contributions made during the fiscal year	9,900	14,400	12,600	23,610	11,249
	FY2011	FY2010	FY2009	FY2008	FY2007
Actuarially determined contribution	12,023	7,156	4,656	279	3,078
Contributions related to actuarially determined contribution	19,811	7,644	9,200	10,000	11,731
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	205,693	178,937	149,694	133,582	121,525
Contribution as % of covered payroll	9.63%	4.27%	6.15%	7.49%	9.65%
Contributions made during the fiscal year	5,400	18,100	6,300	9,500	7,431

Actuarially determined contributions are calculated as of January 1 and are based on the IRS minimum funding requirement. The contributions related to the actuarially determined contributions are amounts made for the plan year January 1 to December 31. Contributions made during the fiscal year are contribution amounts made during July 1 and June 30.

Supplemental postretirement benefit information – The following table summarizes the funding status of the Hospital's postretirement medical benefit plan (in thousands):

Fiscal Year	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded Actuarial Liability UAAL (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Assets in Excess/ (Shortfall) of UAAL as a Percentage of Covered Payroll ((a-b)/c)
2014	\$ -	\$ 22,518	\$ (22,518)	0.0%	\$ 44,426	-50.7%
2015	\$ -	\$ 25,795	\$ (25,795)	0.0%	\$ 40,733	-63.3%
2016	\$ -	\$ 26,069	\$ (26,069)	0.0%	\$ 38,411	-67.9%

The following table summarizes the calculation of the net benefit obligation for the Hospital's postretirement medical benefit plan (in thousands):

Fiscal Year	Beginning of Year Net Benefit Obligation (a)	Annual Required Contribution (b)	Actual Contribution (c)	Annual Postretirement Benefit Cost (d)	Increase in Net Benefit Obligation (d-c)	End of Year Net Benefit Obligation ((a)+(d-c))
2014	\$ 15,541	\$ 1,683	\$ 526	\$ 1,274	\$ 749	\$ 16,290
2015	\$ 16,290	\$ 1,433	\$ 525	\$ 1,432	\$ 907	\$ 17,197
2016	\$ 17,197	\$ 1,652	\$ 593	\$ 1,652	\$ 1,059	\$ 18,256

EL CAMINO HEALTHCARE DISTRICT
SUPPLEMENTAL SCHEDULE OF COMMUNITY BENEFIT (UNAUDITED)
For the Years Ended June 30, 2016 and 2015

The District and the Hospital maintain records to identify and monitor the level of direct community benefit it provides. These records include the charges foregone for providing the patient care furnished under its charity care policy. For the years ended June 30, 2016 and 2015, the estimated costs of providing community benefit in excess of reimbursement from governmental programs were as follows (in thousands):

	2016	2015
Unpaid costs of Medi-Cal programs	\$ 22,362	\$ 22,038
Indigent charity care	2,290	1,708
	<u>24,652</u>	<u>23,746</u>
Other community-based programs		
Dialysis	-	2,167
Psychiatric	5,915	4,797
Clinical trial	295	255
Ambulatory care	10,071	6,919
Community health center	1,860	1,700
Psychiatric outpatient	3,895	2,703
	<u>22,036</u>	<u>18,541</u>
Total other community-based programs		
	<u>22,036</u>	<u>18,541</u>
Total community benefits	<u>\$ 46,688</u>	<u>\$ 42,287</u>

In furtherance of its purpose to benefit the community, the Hospital provides numerous other services to the community for which charges are not generated and revenues have not been accounted for in the accompanying consolidated financial statements. These services include providing access to healthcare through interpreters, referral and transport services, healthcare screening, community support groups and health educational programs, and certain home care and hospice programs. The estimated costs of Medicare programs in excess of reimbursement from Medicare were \$102,105,000 and \$85,710,000 for the years ended June 30, 2016 and 2015, respectively.

The Hospital also provides services to the community through the operations of the El Camino Hospital Auxiliary, Inc. (the "Auxiliary"). Services provided by volunteers of the Auxiliary, free of charge to the community, include assistance and counseling to patients and visitors, provision of scholarship awards to qualifying paramedical students, and daily personal contact with members of the community who are living alone. In 2016 and 2015, these volunteers contributed approximately 106,000 hours, in providing these services, the value of which is not recorded in the accompanying consolidated financial statements.

Att. 05c Final Draft, Governance Communications

FINAL DRAFT

Communications with
Those Charged with Governance

El Camino Healthcare District

June 30, 2016

COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Directors
El Camino Healthcare District

We have audited the consolidated financial statements of El Camino Healthcare District (the "District") as of and for the year ended June 30, 2016, and have issued our report thereon dated October 19, 2016. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

As stated in our engagement letter dated February 18, 2016, our responsibility, as described by professional standards, is to form and express an opinion about whether the consolidated financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the consolidated financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with auditing standards generally accepted in the United States of America and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we considered District's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the consolidated financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing we previously communicated to you in the Compliance Committee meeting on February 18, 2016.

SIGNIFICANT AUDIT FINDINGS AND ISSUES

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the consolidated financial statements. During the year, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and GASB Statement No. 81, *Irrevocable Split Interest Agreements*. There have been no other new accounting policies adopted and there were no changes in the application of existing policies during fiscal year 2016. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the consolidated financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's consolidated financial statements were:

- Management's estimate of net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. We evaluated the key factors and assumptions used to develop the estimated net realizable amounts. We found management's basis to be reasonable in relation to the consolidated financial statements taken as a whole.
- Management's estimate of the provision for uncollectible accounts is recognized based on management's estimate of amounts that ultimately may be uncollectible. El Camino Hospital provides care to patients without requiring collateral or other security. Patient charges not covered by a third-party payor are billed directly to the patient if it is determined that the patient has the ability to pay. We evaluated the key factors and assumptions used to develop the provision for uncollectible accounts. We found management's basis to be reasonable in relation to the consolidated financial statements taken as a whole.
- Management's estimate of the fair market values of investments in the absence of readily-determinable fair values is based on information provided by the fund managers. We have gained an understanding of management's estimate methodology and examined the documentation supporting this methodology. We evaluated the key factors and assumptions used to develop the fair market value of investments. We found management's basis to be reasonable in relation to the consolidated financial statements taken as a whole.
- Management's estimate of uninsured losses for professional liability is recognized based on management's estimate of historical claims experience. We evaluated the key factors and assumptions used to develop the actuarial estimates of uninsured losses for professional liabilities and workers' compensation. We found management's basis to be reasonable in relation to the consolidated financial statements taken as a whole.
- Management's estimate of the minimum pension liability is actuarially determined using assumptions on the long-term rate of return on pension plan assets, the discount rate used to determine the present value of benefit obligations, and the rate of compensation increases. These assumptions are provided by management. We have evaluated the key factors and assumptions used to develop the estimate. We found management's basis to be reasonable in relation to the consolidated financial statements taken as a whole.
- Management's estimated liability for workers' compensation claims is recognized based on management's estimate of historical claims experience and known activity subsequent to year-end. We evaluated the key factors and assumptions used to develop the actuarial estimates of uninsured losses for professional liabilities and workers' compensation. We found management's basis to be reasonable in relation to the consolidated financial statements taken as a whole.

- Management's estimated liability for post-retirement medical benefits is recognized based on management's estimate of historical claims experience and known activity subsequent to year-end. We have evaluated the key factors and assumptions used to develop the liability for post-retirement medical benefits. We found management's basis to be reasonable in relation to the consolidated financial statements taken as a whole.
- Management's estimates of useful lives of capital assets are based on the intended use and are within accounting principles generally accepted in the United States of America. We found management's basis to be reasonable in relation to the consolidated financial statements taken as a whole.
- Management's estimate of the discount rate used to value the gift annuities and beneficial interest in charitable remainder unitrusts have been estimated based on certain variables related to specific donor information. We evaluated key factors and assumptions used to develop the discount rate used to value the gift annuities and beneficial interest in charitable remainder unitrusts in determining that they are reasonable in relation to the financial statements taken as a whole.

Actual results could differ from these estimates. In accordance with accounting principles generally accepted in the United States of America, any change in these estimates is reflected in the consolidated financial statements in the year of change.

Consolidated Financial Statement Disclosures

The disclosures in the consolidated financial statements are consistent, clear, and understandable. Certain consolidated financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's consolidated financial statements were those surrounding related-party transactions, significant concentration of net patient accounts receivable, investments and fair value of investments, capital assets, employee benefit plans, post-retirement medical benefits, insurance plans, long-term debt, and commitment and contingencies.

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected Misstatements

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements identified.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, which could be significant to the District's consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated **October 19, 2016**.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s consolidated financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

San Francisco, California

October 19, 2016

Att. 05d Final Draft, Internal Control Matters Communications

FINAL DRAFT

Communication of
Internal Control Related Matters

El Camino Healthcare District

June 30, 2016

COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS

To the Board of Directors and Management
El Camino Healthcare District

In planning and performing our audit of the consolidated financial statements of El Camino Healthcare District (the "District") as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We consider the following matters involving internal control to be best practice recommendations:

Observation: In connection with our testing of patient accounts receivable and revenue we noted some inconsistencies in the mapping and presentation of contractual reserves, bad debt expense and contractual adjustments.

Recommendation: We recommend management review the policies related to contractual and bad debt write offs for conformity with industry practice as well as the mapping of these allowances and reserves within the general ledger to ensure consistency and comparability between periods.

Management Response: Due to the implementation of the new EPIC electronic health record system, the methodology or criteria to write off the bad debt changes from HBOC legacy system. In order to be consistent with how we treated bad debt in HBOC, we will post a monthly JV entry going forward by running custom EPIC report to ensure the consistency and comparability between periods.

Observation: In connection with our testing of patient accounts receivable we noted a significant population of credit balances offsetting the ending patient accounts receivable balance.

Recommendation: We recommend management review credit balances within patient accounts receivables on a periodic basis to determine what amounts should be reclassified as liabilities due back to patients.

Management Response: The Revenue and Reimbursement Unit routinely reviews the credit balance accounts each accounting period to identify the accounts related to potential refund or contractual adjustments except the reclassification of potential liabilities has never been made. Going forward with fiscal year 2017, we will start making necessary reclassification of credit balance to liability account on a monthly basis.

Observation: During our testing procedures over patient revenues we noted charges posted in July 2016 (fiscal 2017) that related to services provided in June 2016 (fiscal 2016).

Recommendation: The District should develop and implement a policy of reviewing charges posted after year-end for recording in the proper period or establish an accrual to estimate the late charges as of June 30, 2016.

Management Response: Starting fiscal year 2017, we will perform annual review of charges posted after year-end and accrue the charges into proper fiscal year.

Observation: During our testing of rental income and rental expenses, we noted supporting schedules weren't properly reconciled to the amounts booked in the general ledger.

Recommendation: Reconciliation of rental income and rental expense should be completed and reviewed in a timely manner.

Management Response: These schedules originate in Facilities- Real Estate Division. Accounting will now on a quarterly basis review both the schedules of rental income (ECH/the landlord) and rental expense (ECH/the tenant) by comparing to prior quarterly lease schedules for additions, deletions, and/or changes. As additions (new leases) are discovered Accounting will ask Facilities to provide copies to Accounting to be retained for upcoming yearend audit review. The same will be asked of leases that have had modifications, extensions, etc. Secondly, the aggregate lease amounts being paid or received are to be reconciled to those certain general ledger accounts for reasonability of the 5 year and thereafter lease commitments disclosure footnote.

The District's written response to the best practices identified in our audit was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Board of Directors, management of the District, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

San Francisco, California
October , 2016

ATTACHMENT 6

ECH BOARD MEETING AGENDA ITEM COVER SHEET

Item:	<p>Resolution 2016-13 Adopting the 2016 Plan of Finance, Approving Transactions for the Funding of new projects at the Mountain View Campus, and Paying Costs of Issuance Plus a Capitalized Interest Amount Not to Exceed \$325,000,000</p> <p>El Camino Hospital Board of Directors October 12, 2016</p>
Responsible party:	<p>Iftikhar Hussain, Chief Financial Officer Chad Kenan, Director, Citibank Jennifer Brown, Managing Director, Ponder & Co.</p>
Action requested:	For Approval
<p>Background: The Series 2016 new money financing is designed to lock in a low cost of capital with a tax-exempt fixed rate borrowing through the issuance of Revenue Bonds. These bonds will finance all or portions of the North Parking Garage Expansion, Behavioral Health Building, Integrated Medical Office Building, Women’s Hospital Expansion, and Central Utility Plant Upgrades. The attached materials give an overview of the structure of the financing as well as the documents being drafted for the sale of the bonds.</p> <p>We recommend that, in reviewing the attached bond documents (which are still in draft form, but are substantially final), the Board focus on the following documents:</p> <ol style="list-style-type: none"> 1. Appendix A – This tells the story of ECH and needs to reflect all factual information that investors will need to make a decision to buy ECH bonds. 2. Official Statement – This describes the structure of the deal. The key area of focus in here should be the “Risks” section. This is where we try and capture all health industry risks that would be relevant to investors that are evaluating ECH Bonds. 3. Continuing Disclosure Agreement – This is the same as 2015 but should be read again as these are the items that ECH has to report to the market on a timely basis should they occur. 	
<p>Board Advisory Committees that reviewed the issue and recommendation, if any: At its September 26, 2016 meeting, the Finance Committee voted to recommend approval of the 2016 Plan of Finance.</p>	
<p>Summary and session objectives: Obtain approval of Resolution 2016-13.</p>	
<p>Proposed Board motion, if any: To approve Resolution 2016-13 adopting the 2016 Plan of Finance, approving transactions for the funding of new projects at the Mountain View campus and paying costs of issuance plus a capitalized interest account not to exceed \$325,000,000.</p>	
<p>LIST OF ATTACHMENTS:</p> <ol style="list-style-type: none"> 1. Series 2016A&B PowerPoint Presentation 2. Draft Resolution 2016-13 (Added Since Finance Committee Review) 	

ECH BOARD MEETING AGENDA ITEM COVER SHEET

- | | |
|--|---|
| | <ol style="list-style-type: none">3. Draft Tax Certificate (Added Since Finance Committee Review)4. Draft Preliminary Official Statement5. Draft Loan Agreement6. Draft Bond Indenture7. Draft Supplemental Master Indenture (Added Since Finance Committee Review)8. Draft Appendix A9. Draft Continuing Disclosure Agreement10. Draft Bond Purchase contract |
|--|---|

Att. 06 01 Series 2016A&B Presentation

October 12, 2016

Finance Committee Meeting – Series 2016A&B



Chad Kenan, Citigroup Global Markets
Jennifer Brown, Ponder & Co.

Executive Summary

- Interest rates have remained very favorable for ECH to access the capital markets
 - Long-term yields are near historical lows
 - Municipal demand continues to outpace supply
- ECH can take advantage of attractive market conditions and scale of economies to efficiently raise new money, preserve liquidity and reduce the District tax levy
- Series 2016 Plan of Finance will include dual tracking financings:
 - New Money Revenue Bonds: fund \$270 million of tax-exempt projects
 - Opportunity to reduce interest cost on Series 2006 General Obligation Bonds
 - Est. Gross Savings over life of the bonds of \$16.2 million that will be passed to the district property owners
- Timing Considerations
 - S&P Update Call September 19th
 - Moody's Update Call September 23rd
 - FY2016 Audit approval October 5th
 - Receive Ratings Week of October 10th
 - Hospital Board meeting October 12th
 - District Board meeting October 18th
 - CHFFA meeting October 19th
- Once final approvals have been received, ECH will be able to market and sell the bonds within two weeks

Tax-Exempt Market Fundamentals are Strong

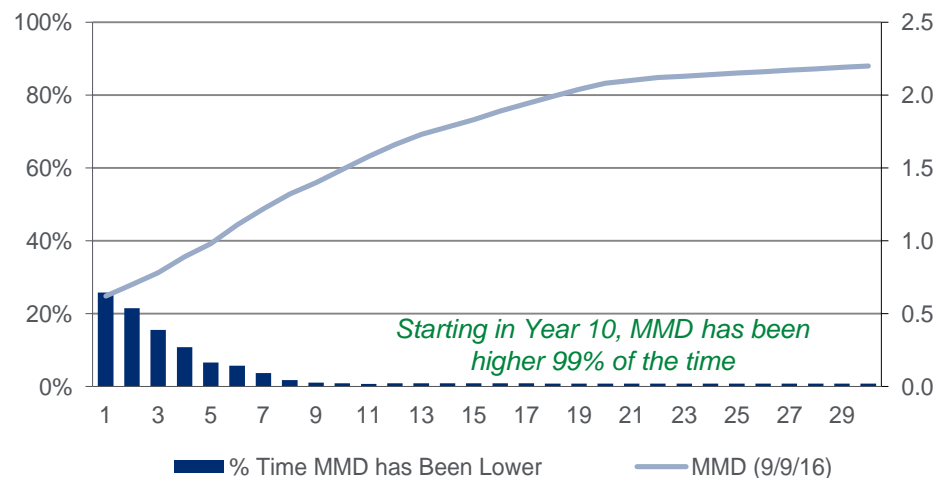
AAA Municipal Market Data Yields¹

Trailing 20 Years



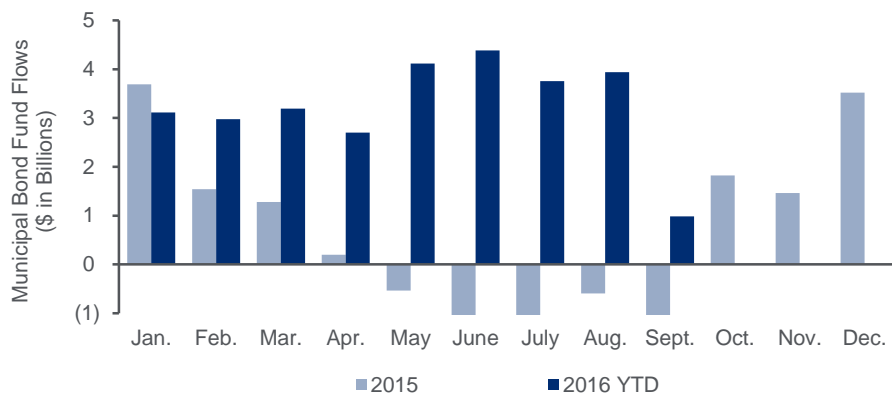
Municipal Rates are Near Historical Lows

Intermediate and long-term rates are close to 30-year lows



Dealer Inventory²

49 consecutive weeks of inflows since October 2015

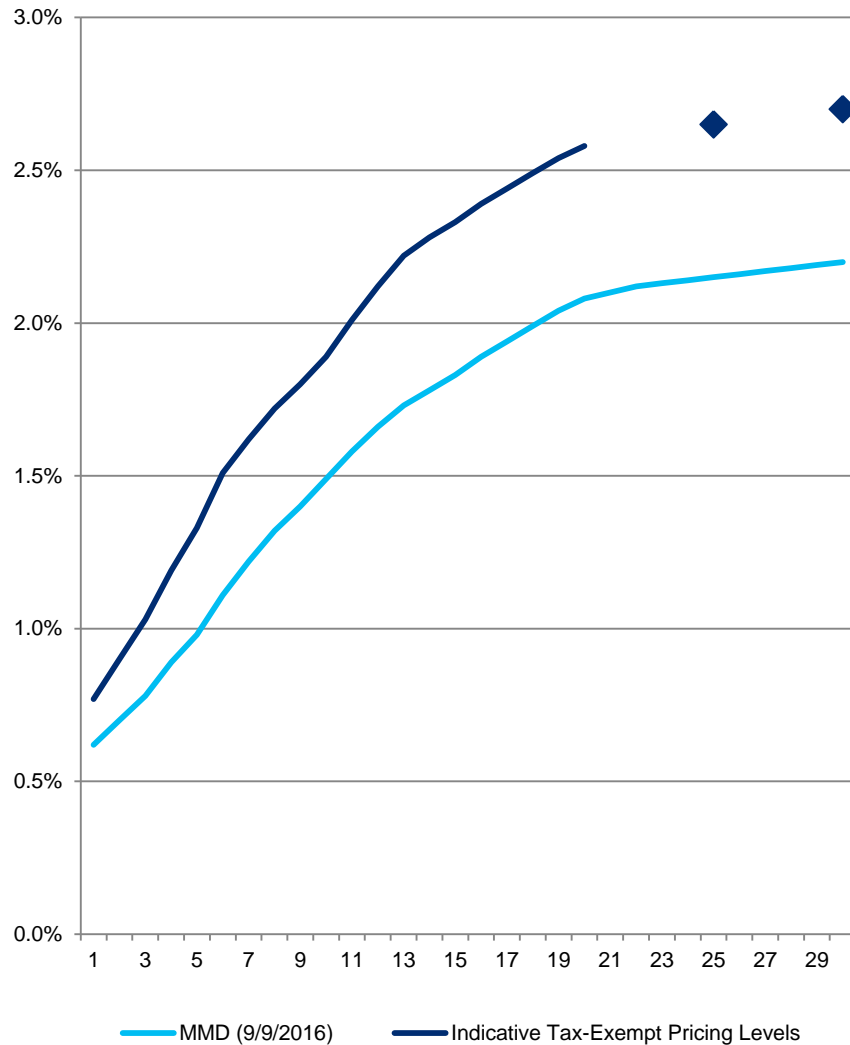


30 Year MMD Historical Annual Range¹

	Minimum	Maximum	Range
2008	4.11	5.94	183 bps
2009	3.81	5.08	127 bps
2010	3.67	4.85	118 bps
2011	3.44	5.08	164 bps
2012	2.47	3.57	110 bps
2013	2.69	4.51	182 bps
2014	2.75	4.20	145 bps
2015	2.50	3.36	86 bps
2016	1.93	2.90	97 bps

1. Thomson Reuters, data as of September 9, 2016; 2. Fed Flow of Funds Data as of 1Q16.

Indicative ECH Revenue Bond Borrowing Cost Estimates



Tax-Exempt (10-year Par Call)

	A	B	A + B = C
Term	MMD (9/9/16)	Credit Spread	Pricing Yield
1	0.62%	0.15%	0.77%
2	0.70%	0.20%	0.90%
3	0.78%	0.25%	1.03%
4	0.89%	0.30%	1.19%
5	0.98%	0.35%	1.33%
6	1.11%	0.40%	1.51%
7	1.22%	0.40%	1.62%
8	1.32%	0.40%	1.72%
9	1.40%	0.40%	1.80%
10	1.49%	0.40%	1.89%
11	1.58%	0.43%	2.01%
12	1.66%	0.46%	2.12%
13	1.73%	0.49%	2.22%
14	1.78%	0.50%	2.28%
15	1.83%	0.50%	2.33%
20	2.08%	0.50%	2.58%
25	2.15%	0.50%	2.65%
30	2.20%	0.50%	2.70%

History of El Camino Hospital Financings in the Past Decade

Transaction	Purpose	Par Amount	Call Dates	Original All-in TIC
General Obligation Bonds				
Series 2006CIB ⁽¹⁾	To construct new District facilities, altering, renovating and improving existing District facilities	\$101,460,000	2/1/2017 @ 100%	4.48%
Series 2006CAB ⁽²⁾	To construct new District facilities, altering, renovating and improving existing District facilities	\$32,335,000	Non-callable	4.44%
Upcoming Series 2016B	To refund the Series 2006 Current Interest Bonds	~\$90,765,000	2/1/2027 @ 100% (Expected)	3.26%
Revenue Bonds				
Series 2007ABC (defeased)	To refinance or reimburse the Corporation for certain capital expenditures at facilities owned or operated by the Corporation	\$147,525,000	8/1/2017 @ 100%	5.47%
Series 2009A	To finance or reimburse the Corporation for certain capital expenditures at facilities owned to operated by the Corporation	\$50,000,000	Any date @ 100%	4.77%
Series 2015A	To finance and refinance certain capital expenditures at facilities owned or operated by the Corporation and to advance refund the Series 2007ABC Bonds	\$160,455,000	2/1/2025 @ 100%	3.87%
Upcoming Series 2016A	To finance or refinance certain capital expenditures at facilities owned or operated by the Corporation	~\$247,255,000	2/1/2027 @ 100% (Expected)	3.52%

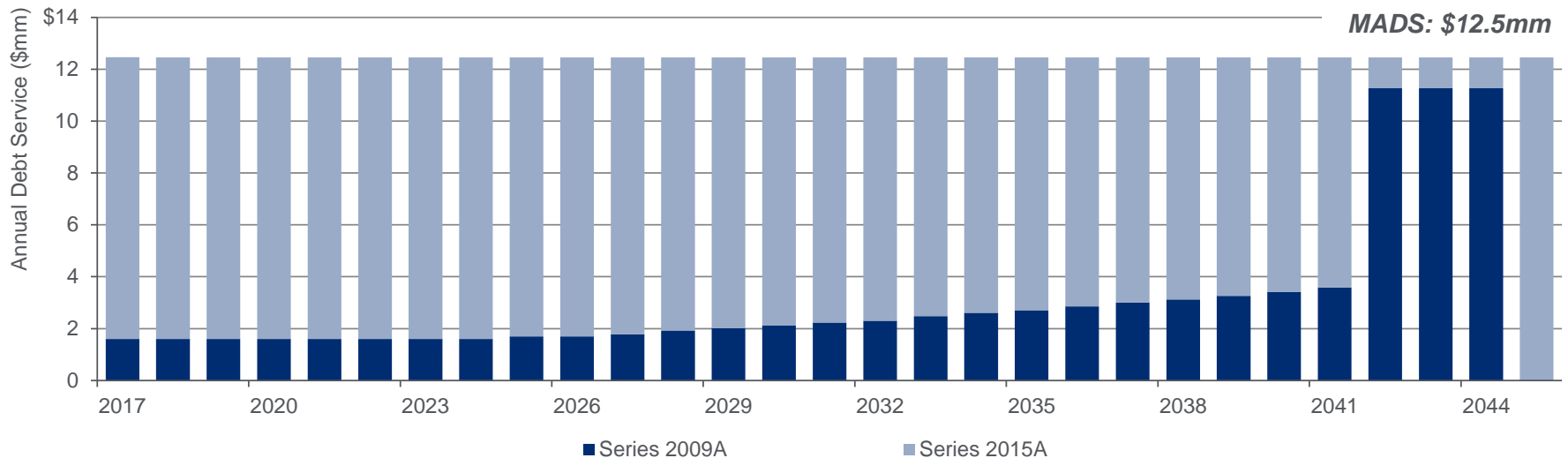
- (1) "CIB" : Current Interest Bonds
 (2) "CAB" : Capital Appreciation Bonds
 (3) Upcoming Series 2016A and B All-in TIC is an estimate

Overview of Outstanding ECH Revenue Bonds

Debt Outstanding By Series

Series	Par Outstanding	Structure	Call Feature	Enhancement	Average Coupon	Average Life	Final Maturity
Series 2015A	\$ 154,980,000	Fixed Rate	February 1, 2025 @ 100.0%	None	4.66%	15.5	2/1/2045
Series 2009A	50,000,000	Weekly VRDOs	Any Date @ 100.0%	Wells Fargo LOC (exp. 4/6/2017)	3.20% ⁽¹⁾	24.5	2/1/2044
TOTAL	\$ 204,980,000				4.31%	17.7	

Debt Service Landscape



(1) The average coupon of the 2009A bonds at 3.204% includes the Swap but excludes 90 basis points for the LOC

Outstanding amounts as of September 2016. Source: Company filings.

Note: Only includes revenue bond indebtedness.

Series 2009A Weekly VRDOs assume Series 2007 fixed payor swap rate of 3.204%.

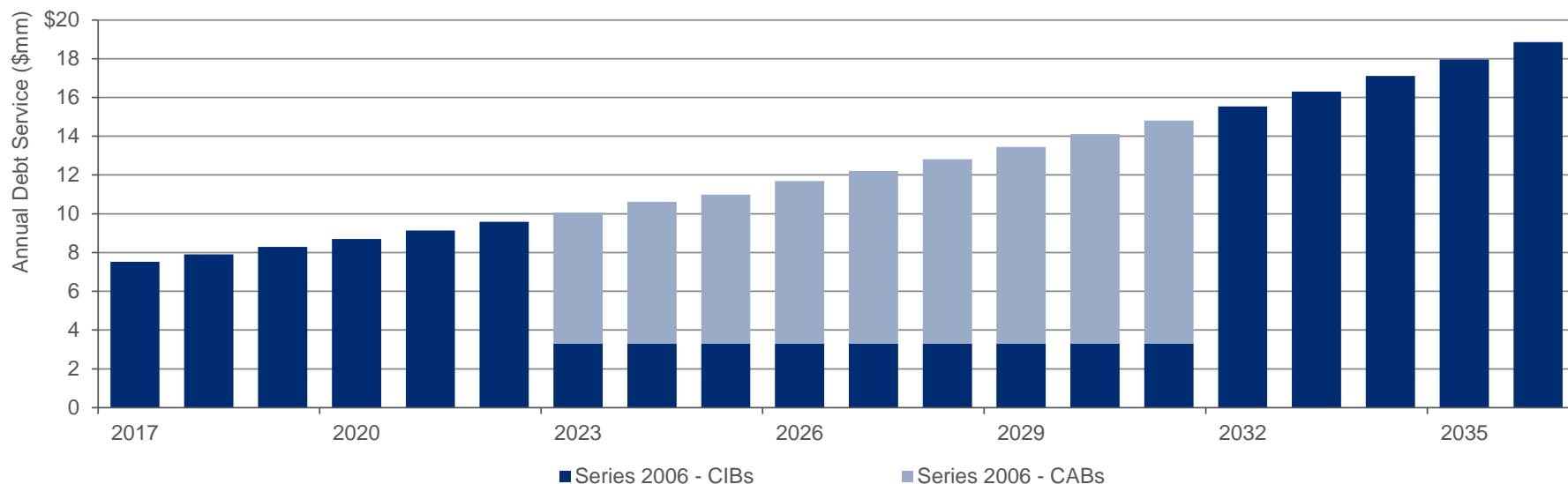
Aligned to 6/30 year-end.

Overview of Outstanding ECH General Obligation Bonds

Debt Outstanding By Series

Series	Par Outstanding	Structure	Call Feature	Enhancement	Average Coupon	Average Life	Final Maturity
Series 2006 - CIBs	\$ 101,460,000	Fixed Rate Bonds	2/1/2017 @ 100.0%	MBIA Insured	4.51%	14.4	8/1/2036
Series 2006 - CABs	32,335,000	Capital Appreciation Bonds	Non-Callable	MBIA Insured	4.44%	11.1	8/1/2031
TOTAL	\$ 133,795,000				4.49%	13.6	

Debt Service Landscape



Outstanding amounts as of September 2016. Source: Company filings.

Review of Benefits of Issuing the Series 2015A Bonds

- The purpose of issuing the Series 2015A Bonds was to:
 - Refund the outstanding Series 2007ABC Bonds **(\$120.12 million)**
 - Fund for new money projects **(\$40.335 million)**
- The advance refunding generated NPV savings of \$13.5 million or 10.56% of refunded par and gross savings of \$22.5 million. The detailed cash flow benefit of the refunding is shown below
- At the time of the Series 2015A issuance, the attractive low-interest rate market resulted in an all-in TIC of 3.77% compared to the original all-in TIC of the Series 2007ABC Bonds of 5.47%
- Existing Series 2007ABC Debt Service Reserve Fund (DSRF) of \$9.4 million was released

	Old Series 2007 Debt Service (3)			New Refunding Debt Service			Cash Flow Savings (3)		
	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Principal	Interest	Debt Service
2016	3,200,000	6,972,681	10,172,681	5,125,000	4,073,410	9,198,410	(1,925,000)	2,899,271	974,271
2017	3,275,000	6,787,656	10,062,656	3,635,000	5,452,150	9,087,150	(360,000)	1,335,506	975,506
2018	3,350,000	6,623,906	9,973,906	3,655,000	5,343,100	8,998,100	(305,000)	1,280,806	975,806
2019	3,525,000	6,456,406	9,981,406	3,775,000	5,233,450	9,008,450	(250,000)	1,222,956	972,956
2020	3,600,000	6,261,062	9,861,062	3,765,000	5,120,200	8,885,200	(165,000)	1,140,862	975,862
2021	3,750,000	6,061,562	9,811,562	3,865,000	4,969,600	8,834,600	(115,000)	1,091,962	976,962
2022	3,875,000	5,853,750	9,728,750	3,940,000	4,815,000	8,755,000	(65,000)	1,038,750	973,750
2023	3,950,000	5,639,062	9,589,062	3,995,000	4,618,000	8,613,000	(45,000)	1,021,062	976,062
2024	4,100,000	5,420,062	9,520,062	4,125,000	4,418,250	8,543,250	(25,000)	1,001,812	976,812
2025	4,275,000	5,192,906	9,467,906	4,280,000	4,212,000	8,492,000	(5,000)	980,906	975,906
2026	4,425,000	4,956,000	9,381,000	4,410,000	3,998,000	8,408,000	15,000	958,000	973,000
2027	4,575,000	4,710,781	9,285,781	4,535,000	3,777,500	8,312,500	40,000	933,281	973,281
2028	4,675,000	4,457,250	9,132,250	4,605,000	3,550,750	8,155,750	70,000	906,500	976,500
2029	4,850,000	4,198,125	9,048,125	4,755,000	3,320,500	8,075,500	95,000	877,625	972,625
2030	5,025,000	3,929,406	8,954,406	4,895,000	3,082,750	7,977,750	130,000	846,656	976,656
2031	5,175,000	3,650,937	8,825,937	5,015,000	2,838,000	7,853,000	160,000	812,937	972,937
2032	5,400,000	3,364,156	8,764,156	5,200,000	2,587,250	7,787,250	200,000	776,906	976,906
2033	5,525,000	3,064,906	8,589,906	5,290,000	2,327,250	7,617,250	235,000	737,656	972,656
2034	5,700,000	2,758,781	8,458,781	5,420,000	2,062,750	7,482,750	280,000	696,031	976,031
2035	5,925,000	2,442,906	8,367,906	5,600,000	1,791,750	7,391,750	325,000	651,156	976,156
2036	6,100,000	2,114,562	8,214,562	5,730,000	1,511,750	7,241,750	370,000	602,812	972,812
2037	6,300,000	1,776,468	8,076,468	5,875,000	1,225,250	7,100,250	425,000	551,218	976,218
2038	6,525,000	1,427,343	7,952,343	6,045,000	931,500	6,976,500	480,000	495,843	975,843
2039	6,750,000	1,065,750	7,815,750	6,210,000	629,250	6,839,250	540,000	436,500	976,500
2040	6,975,000	691,687	7,666,687	6,375,000	318,750	6,693,750	600,000	372,937	972,937
2041	7,200,000	(9,079,268)	(1,879,268)				7,200,000	(9,079,268)	(1,879,268)
	128,025,000	96,798,839	224,823,839	120,120,000	82,208,160	202,328,160	7,905,000	14,590,679	22,495,679

(1) Calculated in accordance with the Master Indenture for fiscal year 2014. Pro Forma Series 2015A does not include capitalized lease.

(2) Rates as of 4/23/15

(3) Interest of "Old Series 2007 Debt Service" is adjusted due to the DSRF Release

Series 2016A&B Plan of Finance Overview

Series 2016A New Money (Revenue Bonds)

- The working group has identified tax-exempt eligible projects at the following facilities
 - North Parking Garage Expansion
 - Behavioral Health Building
 - Integrated MOB
 - 50% of the MOB will be eligible for tax-exempt financing
 - Women's Hospital Expansion
 - CUP Upgrades
- Current estimate of tax-exempt eligible projects is up to \$270 million over the next 3 years
- Goal is to lock-in low cost of capital at minimal risk

Series 2016B

Series 2006 Current Interest Bonds Refunding (General Obligation Bonds)

- Fixed rate Current Interest Bonds ("CIBs"), callable February 2017
- CIBs are 100% advance refundable
- Refunding produces substantial savings to tax payers in the District
 - Annual benefit on the reduction in tax levy: \$1.46*
 - Gross Savings: \$16.2 million*

* Based on rates as of September 9, 2016. Preliminary – subject to change

Overview of Series 2016A Plan of Finance (Revenue Bonds only)

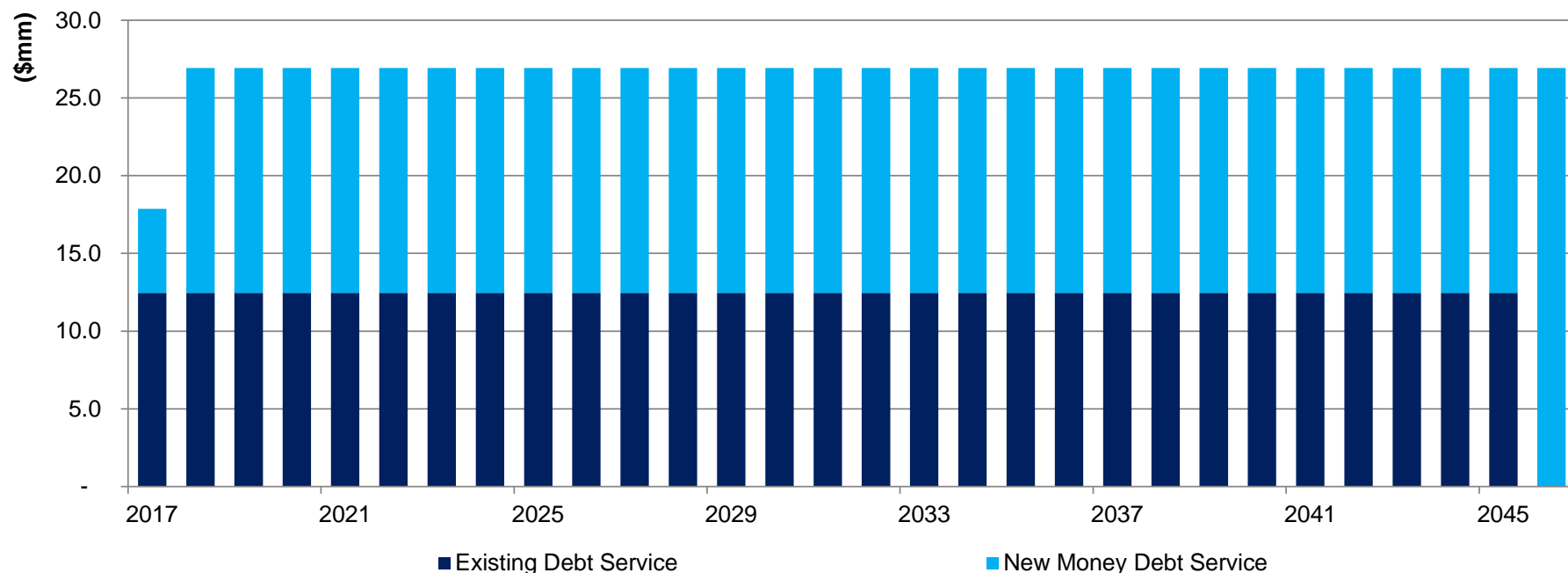
Sources

Par Amount	\$ 247,255,000
Premium	53,359,702
Total Sources	300,614,702

Uses

Project Fund	\$ 270,000,000
Capitalized Interest Fund	26,901,673
Cost of Issuance	3,708,825
Additional Proceeds	4,203
Total Uses	300,614,702

	Series 2016 Statistics	A+ Medians
Par Amount (\$ millions)	\$247.3	N/A
All-in TIC	3.52%	N/A
MADS (\$ millions)	\$29.1	N/A
EBITDA(\$ millions)	\$86.2	N/A
Debt to Capitalization	40.2%	30.0%
Operating Margin	3.8%	3.9%
Cash to Debt	128.3%	174.1%
MADS Coverage	4.0x	5.1x



Source: Company filings. Assumes rates as of 9/9/16. Assumes COI of 1.5% of par. For illustration purposes only. Preliminary – Subject to Change
 Adjusted per rating agency methodology. Note: Only includes revenue bond indebtedness; excludes General Obligation bond indebtedness and tax revenues.
 Incremental debt assumes \$270 million fixed rate financing, wrapped around existing debt service, at tax-exempt borrowing rates as of 9/9/2016.

Q3 FY2016 Unaudited Financials; Due to unavailable information, interest expense based on FY2015 Audit and non-operating gains is a pro-rata of FY2015.

Refunding of Series 2006 Current Interest Bonds GO Bonds

Summary Statistics - Current Market

Delivery Date	11/1/2016
All-In TIC	3.26%
Average Coupon of Refunding Bonds	4.53%
Average Coupon of Refunded Bonds	4.43%

Par Amount of Refunding Bonds	\$90,765,000
Par Amount of Refunded Bonds	101,460,000

Average Life of Refunding Bonds (years)	14.49
Average Life of Refunded Bonds (years)	14.24

Gross Savings	16,227,483
Net PV Savings	12,841,303
Percentage Savings of Refunded Bonds	12.66%
Negative Arbitrage	475,384

Sources

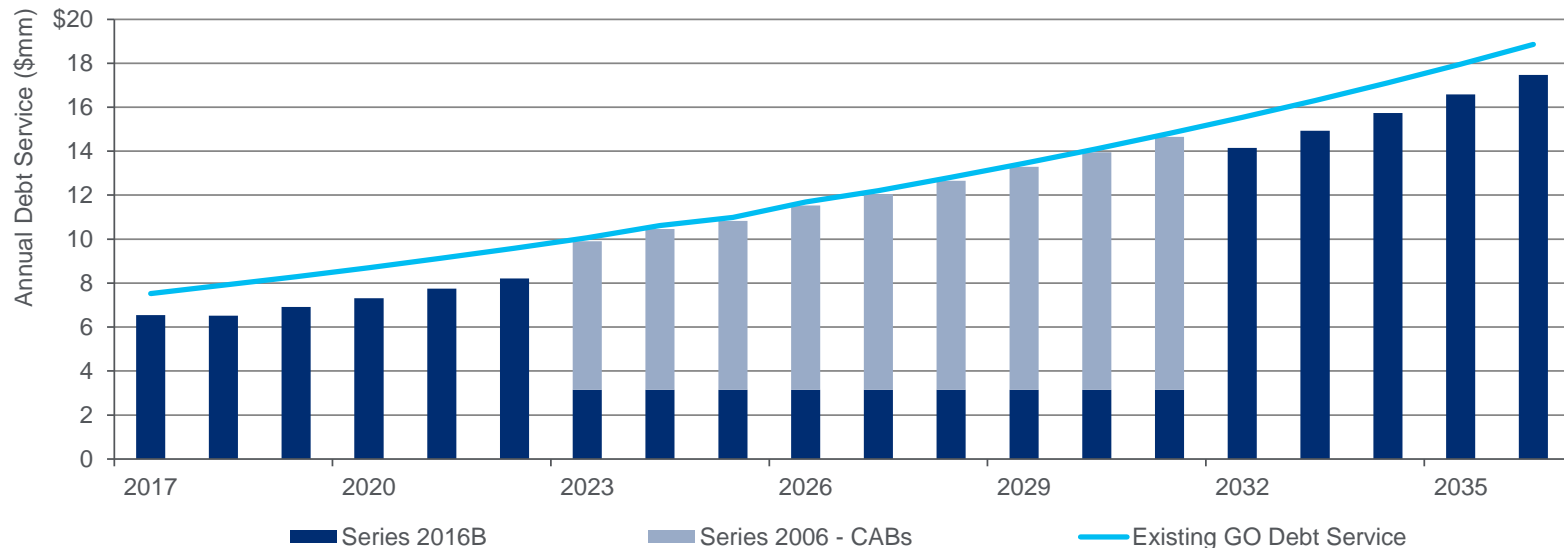
Par Amount	\$	90,765,000.00
Premium		14,285,240.00
Total Sources	\$	105,050,240.00

Uses

SLGS Purchases	\$	103,685,792.02
Cost of Issuance		1,364,447.98
Total Uses	\$	105,050,240.00

Sensitivity Analysis

If rates increase by 25bps, Series 2006 bonds generate 10.5% of PV Savings
If rates decrease by 25bps, Series 2006 bonds generate 14.9% of PV Savings



For illustrative purposes only. Preliminary – Subject to Change. Assumes rates as of September 9, 2016.

PV rate assumed at the arbitrage yield

Negative Arbitrage occurs when the yield on escrow portfolio is lower than the arbitrage yield. As the call date approaches, negative arbitrage decreases and is then eliminated on Feb 1, 2017

Series 2016 Financing Timeline – Key Dates

- S&P Rating Update Call (September 19th)
- Moody's Rating Update Call (September 23rd)
- Receive Ratings (Week of October 10th)*
- El Camino Hospital Board Meeting (October 12th)
- ECH District Board Meeting (October 18th)
- CHFFA Meeting (October 19th)
- POS Mailing (October 20th)
- Investor Call (Week of October 24th)
- GO Bond Pricing / Execute BPA (Week of October 24th)*
- Revenue Bond Pricing / Execute BPA (Week of October 31st)*
- Closing (Week of November 14th)*

*Subject to Change

Appendix A. Overview of Transaction Structure and Financing Documents

Overview of Bond and Disclosure Documents

		Document	Role in Transaction
Used to market bonds to potential investors		Official Statement	Disclosure document describing the bonds to potential purchasers.
		Appendix A	Disclosure document describing El Camino. This is a section of the Official Statement and will be used to market the bonds.
Agreements for continuing obligations of ECH, as it relates to the bonds while outstanding		Bond Purchase Agreement	Agreement by Citigroup to purchase the bonds in advance of closing.
		Master Trust Indenture (MTI)	General terms and covenants for the Obligated Group.
		Supplemental MTI	Specific terms and covenants relating to the Series 2015 bonds.
		Bond Trust Agreement	Interest rate and payment mechanics for the Series 2015 bonds.
		Loan Agreement	Agreement between the California Health Facilities Financing Authority ("CHFFA") and El Camino where CHFFA loans the proceeds of the bonds to El Camino; El Camino is responsible for the repayment of bond proceeds.
		Continuing Disclosure Agreement (CDA)	Agreement by El Camino to report annual and quarterly financial information as well as material events to bondholders.

Overview of Financing Group Members

Party	Role in Transaction
Issuer (CHFFA)	Provides financial assistance to the borrower through loans funded by the issuance of tax-exempt bonds.
Borrower (El Camino Hospital)	Receives the proceeds of the bond issuance for financing of certain tax-exempt projects and / or refunding of tax-exempt bonds.
Borrower's Counsel (Buchalter Nemer)	Advises El Camino on the terms of the deal, and gives assurance that they have properly authorized the transactions and agreements and complied with all state and federal laws.
Bond Counsel (Orrick, Herrington & Sutcliffe)	A law firm retained by the Issuer and Borrower to provide a legal opinion that the issuer is authorized to issue the proposed securities, the issuer has met all legal requirements necessary for issuance, and interest on the proposed securities will be exempt from federal, state, and local income taxation. Typically, Bond Counsel prepares the authorizing resolutions of the Issuer and trust indenture. Bond Counsel also prepares the preliminary official and final official statements.
Financial Advisor (Ponder & Co.)	An independent consulting firm that advises El Camino on all financial matters pertaining to a proposed issue. A Financial Advisor does not serve as an Underwriter.
Underwriter (Citigroup Global Markets)	Serves as the dealer, which purchases the bonds from the Issuer through a negotiated sale. The underwriter also provides quantitative and analytical support directly to the Borrower as it relates to the financing and marketing plan and coordinates the working group.
Underwriter's Counsel (Stradling, Yocca Carlson & Rauth)	A law firm who is selected by the Underwriter to draft the bond purchase agreement. Underwriter's Counsel negotiates on behalf of the Underwriter.
Bond Trustee (Wells Fargo)	Manages all bond funds and passes through the Borrower's payments of principal and interest to investors.
Auditor (Moss Adams)	Compiles and examines the Borrower's financial statements and certain portions of Appendix A upon which the Auditor has expressed an opinion. Reports / audits a Borrower's financial position and the results of operations for a set period of time.
Rating Agencies (Moody's and Standard & Poor's)	Independently evaluates the credit quality of bonds. Ratings are intended to measure the probability of the timely repayment of principal and interest on municipal securities. El Camino Hospital's revenue bonds are currently rated 'A1' by Moody's and 'A+' by S&P.

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Any prices or levels contained herein are preliminary and indicative only and do not represent bids or offers. These indications are provided solely for your information and consideration, are subject to change at any time without notice and are not intended as a solicitation with respect to the purchase or sale of any instrument. The information contained in this presentation may include results of analyses from a quantitative model which represent potential future events that may or may not be realized, and is not a complete analysis of every material fact representing any product. Any estimates included herein constitute our judgment as of the date hereof and are subject to change without any notice. We and/or our affiliates may make a market in these instruments for our customers and for our own account. Accordingly, we may have a position in any such instrument at any time.

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Att. 06 02 DRAFT Resolution 2016-13

EL CAMINO HOSPITAL

RESOLUTION NO. 2016-13

RESOLUTION OF THE BOARD OF DIRECTORS OF EL CAMINO HOSPITAL AUTHORIZING THE PLAN OF FINANCE FOR REVENUE BONDS; APPROVING THE ISSUANCE OF DEBT NOT TO EXCEED \$325 MILLION AGGREGATE PRINCIPAL AMOUNT; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS IN CONNECTION WITH THE ISSUANCE OF THE DEBT; AND AUTHORIZING THE TAKING OF CERTAIN OTHER ACTIONS IN CONNECTION WITH THE ISSUANCE OF THE DEBT.

AUTHORIZATION OF PLAN OF FINANCE

WHEREAS, on November 8, 2006, the Board of Directors (“Board”) of El Camino Hospital (“Hospital”) duly passed and adopted Resolution 2006-13, approving a plan to obtain long-term financing for costs of the Hospital’s major facilities renovation and replacement project, and pursuant thereto, borrowed the proceeds of the sale of tax-exempt insured revenue bonds issued by Santa Clara County Financing Authority, a joint exercise of powers authority and entered into a master trust indenture dated as of March 1, 2007, (“Master Indenture”) as amended and supplemented, between the Hospital and Wells Fargo Bank, National Association, as master trustee;

WHEREAS, in presentations made to its advisory Finance Committee on August 1, 2016, and September 26, 2016, and to the Board today, the Board has received information from the Corporation’s investment banker, financial advisor and management regarding plans to obtain additional long-term financing for certain proposed future projects to be undertaken on the Mountain View campus of the Hospital (the “Mountain View Projects”) (collectively, the “2016 Plan of Finance”);

WHEREAS, the information presented to this Board includes, among other matters, data regarding historical and projected tax-exempt interest rates, information provided by the Corporation’s investment banker and financial advisor, the timeline for the issuances of revenue bonds to finance the Mountain View Projects, and information outlining next steps for the issuance of revenue bonds now and into the future;

WHEREAS, the 2016 Plan of Finance contemplates revenue bonds will be issued as fixed-rate bonds;

NOW, THEREFORE, BE IT:

RESOLVED, the 2016 Plan of Finance is hereby approved and the Authorized Officers (defined below) are hereby authorized to proceed with the 2016 Plan of Finance with respect to the Mountain View Projects as authorized below; be it further

RESOLVED that the Authorized Officers are authorized to proceed to determine the final elements of the Mountain View Projects, with final authorization of the execution and delivery

of all documents and taking of all related actions regarding the Mountain View Projects to be the subject of resolutions to be presented to the Board for consideration at a future date.

**APPROVAL OF ISSUANCE OF DEBT, AUTHORIZATION OF FORM OF AND
EXECUTION AND DELIVERY OF DOCUMENTS IN CONNECTION WITH
ISSUANCE OF DEBT, AND TAKING OF CERTAIN OTHER ACTIONS IN
CONNECTION WITH ISSUANCE OF DEBT**

WHEREAS, pursuant to the 2016 Plan of Finance, the Hospital will borrow the proceeds of the sale of tax-exempt insured revenue bonds in an aggregate principal amount not to exceed \$325 Million Dollars from the California Health Facilities Financing Authority (the “Authority”), for the Mountain View Projects and the Hospital expects that the Authority will issue the bonds in the aggregate principal amount not to exceed \$325 Million Dollars (the “2016 Bonds”), the proceeds of such bonds to be loaned to the Hospital for the Mountain View Projects, to pay premium, if any, to find an interest reserve, if any, and to pay the costs of issuance of the 2016 Bonds and to establish a capitalized interest account;

WHEREAS, the obligations of the Hospital with respect to the 2016 Bonds will be evidenced and secured by (i) payments to be made by the Hospital pursuant to the loan agreement entered into with the Authority, dated as of November 1, 2016 (the “Loan Agreement”); (ii) the issuance of one or more obligations under the Master Indenture; and (iii) by a security interest in the Hospital’s Gross Revenues, as defined in the Master Indenture; and

WHEREAS, in connection with the execution and delivery of the 2016 Bonds and the authorization of the execution, delivery and performance of various agreements and the approval of other actions, agreements and documents is required, including the following, and such other certificates, agreements and actions as the Authorized Officers determine in their discretion to be necessary or advisable to carry out the 2016 Plan of Finance (documents listed below but not defined herein shall have the meanings ascribed to them in the attached Exhibit A):

- i. Execution and delivery of the Continuing Disclosure Agreement, the Tax Certificate and Agreement, the Loan Agreement, the Letter of Representations, Supplement No. 6 under the Master Indenture, and Obligation No. 6 under the Master Indenture, each in substantially the form presented (the “Executed Agreements”); and
- ii. Approval of the form of the Bond Purchase Contract and the Bond Indenture, each in substantially the form presented (the “Acknowledged Agreements”); and
- iii. Approval for distribution (including in preliminary form prior to the sale of the 2016 Bonds) and execution of the Official Statement, in substantially the form presented.

NOW, THEREFORE, BE IT:

RESOLVED, based on the foregoing, the Board hereby determines that the execution and delivery by the Authority of the 2016 Bonds and the Acknowledged Agreements and the

execution and delivery by the Hospital of the Executed Agreements, the approval and acknowledgment by the Hospital of the Acknowledged Agreements, the approval of the execution and distribution by the Hospital of the Official Statement (including distribution in preliminary form), the granting (or continuation) by the Hospital of a security interest in the Gross Revenues, and the taking of all other actions to effect the 2016 Plan of Finance approved at this meeting and in this Resolution are necessary and desirable, in the best interests of the Hospital and in furtherance of its purposes.

RESOLVED, that each of the Chairperson, Vice-Chairperson, Secretary, Chief Executive Officer and Chief Financial Officer or any designee of any of them identified in writing to the Chairperson (each an "Authorized Officer"), in all cases acting singly, is hereby authorized to execute and deliver, approve or acknowledge, as applicable, each of the Executed Agreements, Acknowledged Agreements and Official Statement, for and in the name and on behalf of the Hospital, with such terms, conditions and provisions substantially in the form provided to the Board at this meeting, provided that the Authorized Officer executing each such document may approve such final changes and terms then set forth. Each Authorized Officer, in all cases acting singly, is further authorized to amend, or to approve the amendment of, for and in the name and on behalf of the Hospital any of the Executed Agreements, the Acknowledged Agreements or the Official Statement or any part of the transactions described herein or therein, all in a manner consistent with the terms thereof and with the Plan of Finance.

RESOLVED, that each Authorized Officer, in all cases acting singly, is hereby authorized to do any and all things to execute and deliver any and all documents, instruments and certificates, including signature certificates, no-litigation certificates and tax certificates, and to enter into any and all agreements necessary or advisable to carry out, give effect to and comply with the terms and intent of this Resolution, the Plan of Finance and the transactions contemplated by the Executed Agreements, the Acknowledged Agreements and the Official Statement and any part of the transactions described herein or therein. The Secretary of the Board is hereby authorized to attest any signature of an Authorized Officer on any of the documents, instruments, certificates and agreements authorized by this Resolution.

RESOLVED, that all actions heretofore taken by the officers, representatives or agents of the Hospital, including without limitation, the Authorized Officers, in connection with the issuance by the Authority of the 2016 Bonds, and the loan of the proceeds to the Hospital are hereby ratified, confirmed and approved, including the approval of the terms of the 2016 Bonds, including interest rates or methods for determining such rates, their maturities, redemption and other terms and other details.

EXHIBIT A

1. A BOND PURCHASE CONTRACT (the “Bond Purchase Contract”), between the Authority, the Treasurer of the State of California, as agent for sale, and Citigroup Global Markets Inc. (together with its successor and assigns, hereinafter referred to as “Citigroup”);
2. An OFFICIAL STATEMENT, relating to the 2016 Bonds (including the cover page and all appendices, exhibits, reports and statements included therein or attached thereto, the “Official Statement”);
3. A CONTINUING DISCLOSURE AGREEMENT, relating to the 2016 Bonds, between Hospital and Wells Fargo Bank, National Association, as dissemination agent, substantially in the form of Appendix E to the Official Statement;
4. A TAX CERTIFICATE AND AGREEMENT, relating to the 2016 Bonds, executed by Hospital and the Authority.
5. A BOND INDENTURE between the Authority and Wells Fargo Bank, National Association, as trustee (the “Bond Trustee”), relating to the 2016 Bonds (the “Bond Indenture”);
6. A LOAN AGREEMENT, relating to the 2016 Bonds (the “Loan Agreement”), between the Authority and Hospital under which the Authority will lend to Hospital the proceeds of the 2016 Bonds;
7. A LETTER OF REPRESENTATIONS, relating to the 2016 Bonds, in the form of Exhibit B to the Bond Purchase Contract, to be executed by Hospital and addressed to the Authority, the Treasurer of the State of California, as agent for sale, and Citigroup;
8. A SUPPLEMENTAL MASTER INDENTURE FOR OBLIGATION NO. 6, relating to the 2016 Bonds, between Hospital and the Master Trustee (“Supplement No. 6”), securing Hospital’s payments under the Loan Agreement; and
9. OBLIGATION NO. 6 in an aggregate amount not to exceed \$325 Million Dollars to evidence the joint and several obligation of the Obligated Group under the Master Indenture to make all payments required of Hospital under the Loan Agreement, relating to the 2016 Bonds.

Att. 06 03 DRAFT Tax Certificate

TAX CERTIFICATE AND AGREEMENT

The California Health Facilities Financing Authority (the “**Issuer**”) and El Camino Hospital (the “**Borrower**”), a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the “**State**”), hereby enter into this Tax Certificate and Agreement (together with the Exhibits attached hereto, the “**Tax Agreement**”) in connection with the issuance by the Issuer of its Revenue Bonds (El Camino Hospital) Series 2016 (the “**Bonds**”), in the principal amount of \$[PAR]. The representations of facts and circumstances and covenants of the Issuer made herein are in furtherance of the covenants of the Issuer set forth in Section 6.06 of the Bond Indenture, dated as of May 1, 2016 (the “**Indenture**”), by and between the Issuer and Wells Fargo Bank, National Association, as bond trustee (the “**Trustee**”), and are in part made pursuant to Treasury Regulations §1.148-2(b)(2)(i). The representations of facts and circumstances and covenants of the Borrower made herein are in furtherance of the covenants of the Borrower set forth in Section 5.6 of the Loan Agreement, dated as of May 1, 2016 (the “**Loan Agreement**”), between the Borrower and the Issuer.

I.

In General

1.1 Purpose of Tax Agreement. The Issuer and the Borrower are delivering this Tax Agreement to Orrick, Herrington & Sutcliffe LLP (“**Bond Counsel**”), with the understanding and acknowledgment that Bond Counsel will rely upon this Tax Agreement in rendering its opinion that interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “**Code**”).

1.2 Delivery of the Bonds. The Issuer is delivering the Bonds to Citigroup Global Markets Inc. (the “**Underwriter**”), in exchange for good funds on the date hereof.

1.3 Authorization; Status of Authority. The Authority is issuing the Bonds pursuant to the Indenture and the laws of the State of California (the “**State**”). The Authority is a public instrumentality of the State of California, created by the California Health Facilities Financing Authority Act (constituting Part 7.2 of Division 3 of Title 2 of the California Government Code), authorized to incur indebtedness on behalf of the State of California for the purpose of financing and refinancing various health facilities.

1.4 Purpose for Bonds. The Bonds are being issued to (i) finance a portion of the costs of construction of the capital projects set forth in *Exhibit A* (the “**Project**”), and (ii) pay the costs of issuing the Bonds.

1.5 Separate Issue/Single Issue. The Bonds were sold to the Underwriter on November [1], 2016 (the “**Sale Date**”). All of the Bonds were sold pursuant to the same plan of financing and are expected to be paid out of substantially the same source of funds. No other governmental obligations which are expected to be paid out of substantially the same source of

funds as the Bonds have been or will be sold pursuant to the same plan of the financing as the Bonds within the 31-day period beginning 15 days before the Sale Date.

As of the Closing Date, no multipurpose allocation with respect to the Bonds is being made pursuant to either of Treasury Regulations § 1.148-9(h) or 1.141-13(d).

1.6 Definitions. Unless the context otherwise requires, the following capitalized terms have the following meanings for purposes of this Tax Agreement:

Available Construction Proceeds means all Sale Proceeds of the Bonds, less the amount of such proceeds used to pay costs of issuing the Bonds, plus all Investment Proceeds received, accrued or reasonably expected to be earned thereon. The Issuer and the Borrower reasonably expect that at least 75% of the Available Construction Proceeds will be used to pay for construction costs.

Bona Fide Debt Service Funds has the meaning set forth in Section 3.4.2 herein.

Bond Year means the period beginning on the Closing Date and ending on November [15], 2017 (unless the Borrower selects otherwise) and each succeeding one-year period (with the last Bond Year ending on the first date that none of the Bonds remains outstanding for federal tax purposes). The Issuer may (at the request of the Borrower), prior to the fifth anniversary of the Closing Date, select any date prior to the first anniversary of the Closing Date in lieu of the first anniversary of the Closing Date as the end of each Bond Year.

Closing Date means November [15], 2016, the date of execution and delivery of the Bonds.

Expenditure Exception Gross Proceeds means the Gross Proceeds properly allocable to the Bonds, including pro rata amounts of the costs of issuance, except for amounts (i) held in the Bona Fide Debt Service Funds, (ii) that, as of the Closing Date, are not reasonably expected to become Gross Proceeds but that become Gross Proceeds after the date six months after the Closing Date (in the case of the Six-Month Expenditure Exception; see Section 5.3.2 hereof) or eighteen months after the Closing Date (in the case of the Eighteen-Month Expenditure Exception; see Section 5.3.3 hereof); (iii) representing Sale Proceeds or Investment Proceeds derived from payments under the Loan Agreement; or (iv) representing repayments of grants (as defined in Treasury Regulations Section 1.148-6(d)(4)) financed by the Bonds.

Gross Proceeds has the meaning used in Treasury Regulations §1.148-1(b), and generally means all proceeds derived from or relating to the Bonds, including Investment Proceeds, Transferred Proceeds, amounts pledged to pay debt service on the Bonds (or pledged by Borrower to secure the payments to the Issuer under the Loan Agreement), and other amounts expected to be used to pay debt service on the Bonds.

Investment Proceeds means investment earnings on (i) Sale Proceeds and (ii) Investment Proceeds.

Investment Property means any security or obligation (other than a Tax-Exempt Obligation), any annuity contract, or any other investment-type property.

Minor Portion means any amount of Gross Proceeds not greater than \$100,000 invested at an unrestricted yield pursuant to Section 148(e) of the Code.

Net Proceeds means Sale Proceeds and Investment Proceeds thereon, less amounts deposited in a reasonably required reserve fund, if any.

Nonprofit Corporation means an organization recognized by and in good standing with the Internal Revenue Service as an organization described in Section 501(c)(3) of the Code, or corresponding provisions of prior law.

Nonpurpose Investment means any Investment Property in which Gross Proceeds are invested, other than the Loan Agreement.

Opinion of Counsel means a written opinion of nationally recognized bond counsel to the effect that the action or inaction will not impair the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

Other Replacement Proceeds shall have the meaning set forth in §1.148-1(c)(4) of the Treasury Regulations. Other Replacement Proceeds arise to the extent that the Issuer and the Borrower reasonably expect as of the Closing Date that the term of the Bonds is longer than is reasonably necessary for the governmental purpose of the Bonds and that there will be available amounts created (within the meaning of Treasury Regulation §1.148-6(d)(3)(iii)) during the period that the Bonds remain outstanding longer than necessary. Other Replacement Proceeds do not arise for the portion of the Bonds that is to be used to: (i) finance restricted working capital expenditures (within the meaning of Treasury Regulation §1.148-1(b)) if that portion of the Bonds is not outstanding longer than two years, (ii) finance or refinance capital projects (within the meaning of Treasury Regulation §1.148-1(b)) if the weighted average maturity of that portion of the Bonds does not exceed 120% of the average reasonably expected life of the financed capital projects, and (iii) refund a prior issue, provided that the weighted average maturity of such refunding issue does not exceed the remaining weighted average maturity of the prior issue and the issue of which the prior issue is a part satisfies §1.148-1(c)(4)(i)(B)(1) or §1.148-1(c)(4)(i)(B)(2) of the Treasury Regulations.

Pledge Fund shall have the meaning set forth in §1.148-1(c)(3) of the Treasury Regulations, and generally means any amount that is directly or indirectly pledged to pay principal or interest on the Bonds. A Pledge Fund need not be cast in any particular form but must provide a reasonable assurance to the Bondholders that such amounts will be available to pay principal or interest on the Bonds in the event that the Issuer or the Borrower encounters financial difficulties. A pledge to a guarantor of an issue is an indirect pledge to secure payment of principal or interest on an issue. An amount is also treated as pledged to pay principal or interest on the Bonds if it is held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of the Bondholders, however, such amounts will not be treated as pledged if (i) the Issuer or the Borrower or a substantial beneficiary of the Bonds may grant rights in the amount that are superior to the rights of the Bondholders, or (ii) the amount is not in excess of the purpose for which it was established, the required level is tested no more frequently than every six (6) months, and the amount may be spent without any substantial restriction other than a requirement to replenish the amount by the next testing date.

Preliminary Expenditures means architectural, engineering, surveying, soil testing, costs of issuing the Bonds, and similar costs paid with respect to the Project in an aggregate amount not exceeding \$8,400,000 (i.e., no more than 20% of the issue price of the Bonds). Preliminary Expenditures do not include land acquisition, site preparation or similar costs incident to the commencement of construction.

Proceeds means Sale Proceeds, Investment Proceeds and Transferred Proceeds.

Qualified Equity means amounts such as cash or revenues, grants, and donations, and not proceeds that are derived from a tax-exempt borrowing.

Rebate Requirement means the amount of rebatable arbitrage earned with respect to Gross Proceeds which do not qualify for an exception from the requirements of Section 148(f)(2) of the Code as described in Section 5.4 of this Tax Agreement, computed as of the last day of any Bond Year pursuant to §1.148-3 of the Treasury Regulations.

Related Person means:

(i) In the case of an organization described in Section 501(c)(3) of the Code, any organization having common management and control with such corporation. This would include any other 501(c)(3) organization if both organizations have (a) significant common purposes and substantial common membership, or (b) directly or indirectly, substantial common direction.

(ii) In the case of a corporation, (A) an individual who owns directly or indirectly more than 50% in value of the outstanding stock of the corporation; (B) a partnership, if any partner owns more than 50% in value of both the outstanding stock of the corporation and the capital or profits or interests in the partnership; (C) a partnership that owns directly or indirectly more than 40% in value of the outstanding stock of the corporation; (D) another corporation, if that corporation owns more than 50% of the voting power or value of the corporation; (E) another corporation, if more than 50% of the voting power or value of its stock is owned by the corporation; (F) another corporation, if five or fewer individuals own stock possessing more than 50% of the voting power or value of both that corporation and the corporation; (G) an S corporation, if the same individual owns more than 50% in value of both the S corporation and the corporation; or (H) a trust or its grantor, either of which owns more than 50% in value of the outstanding stock of the corporation.

(iii) In the case of a partnership, (A) a partner that owns directly or indirectly more than 50% of the capital interest or the profits interest in such partnership; (B) another partnership, if the same person or persons own directly or indirectly more than 50% of the capital interest or the profits interest in both that partnership and the partnership; or (C) an S corporation, if the same person or persons own more than 50% of the capital interest or the profits interest in the partnership.

(iv) In the case of an individual, (A) members of the individual's family (including the individual's spouse, brothers, sisters, ancestors and lineal descendants); (B) a corporation more than 50% in value of the outstanding stock of which is owned directly or indirectly by or for such individual; (C) a partnership, if the individual owns directly or indirectly more than 50% of the

capital interest or the profits interest in such partnership; or (D) a trust as to which the individual is either grantor or beneficiary, or which has the same grantor as a trust to which the individual is beneficiary.

Replacement Proceeds shall have the meaning set forth in §1.148-1(c)(1) of the Treasury Regulations, and generally means any Sinking Fund, Pledge Fund, or Other Replacement Proceeds to the extent that those funds or accounts are derived by or derived from a substantial beneficiary of the Bonds.

Sale Proceeds means \$_____, which is the principal amount of the Bonds, plus original issue premium thereon (\$_____).

Short-Term Arrangement means a lease, rental or other use of the facilities comprising the Project that is for a term not exceeding 50 days (or 100 days if the rates charged for such use are standardized and equally applied).

Sinking Fund shall have the meaning set forth in §1.148-1(c)(2) of the Treasury Regulations, and generally means a debt service fund, redemption fund, reserve fund, replacement fund or any similar fund to the extent that such fund is reasonably expected to be used directly or indirectly to pay principal or interest on the Bonds.

Spensible Proceeds means the net amount of proceeds (after payment of all expenses of issuing each such issue or portion thereof) received by the issuer thereof as a result of the sale of the Bonds minus the sum of (i) any amount invested as the Minor Portion so applicable; (ii) the amount of proceeds of the Bonds deposited in any reasonably required reserve or replacement fund; and (iii) the amount of proceeds to be expended within three years after the issue date of the Bonds in payment of principal of or interest on the Bonds.

Tax-Exempt Obligation means any obligation the interest on which is excludable from gross income under Section 103(a) of the Code, any interest in a regulated investment company the income of which is at least 95% excludable to the holder under Section 103(a) of the Code, and any certificate of indebtedness issued by the United States Treasury pursuant to the Demand Deposit State and Local Government Series program, but does not include any interest in a “specified private activity bond” within the meaning of Section 57(a)(5)(C) of the Code.

Three-Year Temporary Period means, as set forth in Treasury Regulations Section 1.148-2(e)(2), the three-year temporary period exception to the yield restriction requirement of Code Section 148(a), which exception applies to the Bonds only to the extent that the Borrower reasonably expects that (i) 85% of the Net Sale Proceeds of the Bonds are to be allocated to expenditures on capital projects by the end of the three-year period following the issue date; (ii) the Borrower will within six months of the issue date incur a substantial binding obligation to a third party to expend at least 5% of the Net Sale Proceeds of the issue on capital projects; and (iii) the allocation of the Net Sale Proceeds of the issue to expenditures will proceed with due diligence.

Transferred Proceeds means transferred proceeds as defined in Treasury Regulations Section 1.148-9.

1.7 Reliance on Other Parties. Except as specifically set forth herein, the Issuer, in making the certifications and representations herein, is relying exclusively on the certifications and representations of the Borrower. The expectations of the Issuer and the Borrower concerning certain uses of the proceeds of the Bonds and the use and operation of the Project and other matters are based in whole or in part upon representations and certifications of other parties set forth in this Tax Agreement. Neither the Issuer nor the Borrower is aware of any facts or circumstances that would cause either the Issuer or the Borrower to question the accuracy or reasonableness of any representation or certification made in this Tax Agreement.

II.

General Tax Matters

2.1 Private Activity Bonds. All of the proceeds of the Bonds will be loaned to the Borrower, which is not a state or a political subdivision of the State.

2.2 Tax-Exempt Status of the Borrower. The Borrower is an organization described in Section 501(c)(3) of the Code and is exempt from federal income tax under Section 501(a) of the Code, or corresponding provisions of prior law. The Borrower has received a determination letter confirming its status as a 501(c)(3) organization issued by the Internal Revenue Service, and such determination letter has not been modified, limited or revoked. The Borrower at all times shall, until the Bonds have been paid or redeemed, maintain its status as an organization described in Section 501(c)(3) of the Code and its exemption from federal income tax under Section 501(a) of the Code or corresponding provisions of future federal income tax laws. No proceedings are pending or, to the Borrower's knowledge, threatened in any way affecting the status of the Borrower as an organization described in Section 501(c)(3) of the Code, or which would subject any income of the Borrower to federal income taxation to such extent as would result in the loss of its tax-exempt status under Section 501(a) of the Code or the loss of the exclusion from gross income of interest payable with respect to the Bonds for federal income tax purposes under Section 103 of the Code.

2.3 Ownership. All of the facilities comprising the Project have been, are and are expected to be owned and operated by the Borrower. None of the other assets comprising the Project is expected to be, and, absent an Opinion of Counsel, none of such facilities will be, sold or otherwise disposed of, in whole or in part, except due to normal wear and tear and obsolescence after the term of the reasonably expected economic life to the Borrower of such assets, prior to the final maturity date of the Bonds. Bond Counsel has advised the Borrower that a change in ownership of the Project without an Opinion of Counsel may affect the tax status of the Bonds.

2.4 Qualified 501(c)(3) Bonds.

(a) Subject to subsection (b) below, at least 95% of the Net Proceeds, including investment earnings thereon, were and will be used to provide for activities directly related to the exempt purposes of the Borrower. For this purpose, any Sale Proceeds used to pay costs of issuing the Bonds are treated as not used for activities related to the exempt purposes of the Borrower.

(b) So long as the Bonds are outstanding, the Project will be used in such a manner that the statements in either (i) or (ii) below are accurate for such entire period:

(i) No more than 5% of the proceeds of the Bonds have been or will be used for Private Use, as hereinafter defined.

(ii) No more than 5% of the Bonds will be directly or indirectly secured by or payable from the Private Use portion of the Project or from moneys derived therefrom.

For purposes of this Section, the term “**Private Use**” means any activity or activities which constitute a trade or business or group of trades or businesses, including any unrelated trade or business of a Nonprofit Corporation, other than any activity or activities substantially related to the exempt purpose of a Nonprofit Corporation. The term “Private Use” shall include the lease or rental of the Project, or any portion thereof, to third parties that are not Nonprofit Corporations using the Project in a manner substantially related to their exempt purpose, except for use that is pursuant to any Short-Term Arrangement or pursuant to an “incidental use” arrangement described in Treas. Reg. section 1.141-3(d)(5).

(c) The Borrower understands that an arrangement with any person or organization (other than a state or local governmental unit or another 501(c)(3) organization) which provides for such person or organization to manage, operate, or provide services with respect to the Project (a “**Service Contract**”) can give rise to Private Use. The guidelines set forth in Revenue Procedure 97-13, as amended or amplified, including by Notice 2014-67 (the “**Guidelines**”) set forth situations where a service contract will be treated as not giving rise to a Private Use.]In the alternative, (1) for contracts entered into after August 17, 2017, the Borrower shall comply with the provision of Revenue Procedure 2016-44, and (2) for contracts entered into prior to August 18, 2044, the Borrower may, but is not required to comply with the Provisions of Revenue Procedure 2016-44. The Borrower understands that the requirements of Rev. Proc. 2016-44 are, as of the Closing Date, subject to substantial interpretive uncertainty, and will, prior to August 18, 2016, consult with Bond Counsel before entering into (or substantially modifying) a contract that does not comply with the safe harbor provisions of Revenue Procedure 97-13.] Service Contracts that relate to the use or operation of the Project by physicians, professional corporations, or other “service providers,” as that term is used in the Guidelines (the “**Service Providers**”), will satisfy the Guidelines if, among other ways of satisfying the Guidelines, the requirements of each of the following requirements is satisfied:

(i) The compensation of the Service Provider under the contract must be reasonable for the services rendered.

(ii) The contract must not provide for any compensation for services based, in whole or in part, on a share of net profits from the operation of the Project. Generally, compensation is not based on a share of net profits if such compensation is based on a “capitation fee” or a “per-unit fee.” Under the Guidelines, “capitation fee” means a fixed periodic amount for each person for whom the Service Provider assumes the responsibility to provide all needed services for a specified period (so long as the quantity and type of services actually provided to covered persons varies substantially). Under the Guidelines, a “per-unit fee” means a fee based on a unit of service provided (e.g., a stated dollar amount for each specified medical procedure performed). Further, compensation based on a percentage of gross revenues or a percentage of expenses (but not both) will generally not be considered as based on a share of net profits.

(iii) A productivity reward for services in any annual period during the term of the contract generally also does not cause the compensation to be based on a share of net profits of the financed facility if (a) the eligibility for the productivity award is based on the quality of the services provided under the management contract (for example, the achievement of Medicare Shared Savings Program quality performance standards or meeting data reporting requirements), rather than increases in revenues or decreases in expenses of the facility; and (b) the amount of the productivity award is a stated dollar amount, a periodic fixed fee, or a tiered system of stated dollar amounts or periodic fixed fees based solely on the level of performance achieved with respect to the applicable measure.

(iv) A Service Contract providing for a compensation arrangement that satisfies any one of the following paragraphs will meet the Guidelines:

(a) All of the compensation for services is based on a stated amount; periodic fixed fee; a capitation fee; a per-unit fee; or a combination of the preceding. The compensation for services also may include a percentage of gross revenues, adjusted gross revenues, or expenses of the facility (but not both revenues and expenses). The term of the contract, including all renewal options, does not exceed five years. Such contract need not be terminable by the Borrower prior to the end of the term. For purposes of this section 2.4.(c)(iv)(a), a tiered productivity award as described in section 2.4.(c)(iii) will be treated as a stated amount or a periodic fixed fee, as appropriate.

(b) For a contract with a term, including renewal options, that is not longer than (i) the lesser of 10 years or 80 percent of the reasonably expected useful life of the financed property, or (ii) the lesser of 15 years or 80 percent of the reasonably expected useful life of the financed property, at least 80 percent (in the case of a contract with a term described in (i) hereof) or at least 95 percent (in the case of a contract with a term described in (ii) hereof) is based on a periodic fixed fee. For purposes of this paragraph, a fee does not fail to qualify as a periodic fixed fee as a result of a one-time incentive award during the term of the contract under which compensation automatically increases when a gross revenue or expense (but not both) is reached if that award is equal to a single, stated dollar amount.

(v) The Service Provider may not have a role or relationship with the qualified user (or the Issuer) that, in effect, substantially limits the ability of the qualified user to exercise its rights, including cancellation rights, under the Service Contract. Accordingly, not more than 20 percent of the voting power of the governing body of the qualified user (or the Issuer) in the aggregate may be vested in the Service Provider and its directors, officers, shareholders and employees. Furthermore, the group of persons belonging to both the governing board of the qualified user (or the Issuer) and the Service Provider may not include the chief executive officers of the qualified user (or the Issuer) and the Service Provider, or their respective governing bodies. Finally, neither the qualified user nor the Issuer may be members of the same “controlled group” (within the meaning of Treasury Regulations § 1.150-1(f)) or “related persons” (within the meaning of Code Section 144(a)(3)) as the Service Provider.

(d) The Borrower has not entered into, and will not enter into, any arrangement with any Person (other than a state or local governmental unit or another 501(c)(3) organization) pursuant to which basic research (a “**Basic Research Contract**”) is conducted in any portion of the Project unless (a) even if such Basic Research Contract gives rise to Private Use, it would not cause the total amount of Private Use of the Project to exceed 5%, (b) the guidelines of Revenue Procedure 2007-47 are satisfied, or (c) the Borrower obtains a private letter ruling from the Internal Revenue Service or an Opinion of Bond Counsel which allows for a variation from the guidelines of Revenue Procedure 2007-47.

2.5 No \$150,000,000 Limitation. At least 95% of the proceeds of the Bonds will be used to finance or refinance capital expenditures made after August 6, 1997.

2.6 Not Residential Rental Property for Family Units. None of the Project contains any units with complete facilities for living, sleeping, eating, cooking, and sanitation.

2.7 Useful Life. The weighted average maturity of the Bonds is ____ years. See *Exhibit C*. As set forth in *Exhibit A* attached hereto, 120% of the weighted average life of the Project is at least 24 years.

2.8 Prohibited Facilities. None of the proceeds of the Bonds will be used to finance or refinance any airplane, skybox or other private luxury box, facility primarily used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises.

2.9 Public Hearing and Approval. The Issuer caused to be published on October __, 2016, in the *San Jose Mercury News*, a newspaper of general circulation within the County of Santa Clara and the *Sacramento Bee*, a notice of public hearing (the “**Notice**”) to be held by the Issuer regarding the Project and the Issuer’s proposed issuance of the Bonds to finance and refinance the Project. A copy of the notice is attached hereto as *Exhibit D*. A duly noticed public hearing was held by the Issuer as provided in the Notice on October 19, 2016. At this hearing, all interested persons were invited and given an opportunity to comment upon the nature and location of the facilities comprising the Project and the financing and refinancing thereof with the proceeds of the Bonds. On [October __], 2016, the Treasurer of the State of California, as “applicable elected representative,” approved the issuance of the Bonds for the

purpose of financing and refinancing the Project. Attached hereto as **Exhibit E** is a copy of the approval

2.10 Costs of Issuance. Sale Proceeds will be used to pay costs of issuing the Bonds, including underwriter's discount. See Section 3.2.2 herein. Such amount does not exceed 2% of the issue price of the Bonds.

2.11 Volume Cap. Based upon representations of the Borrower set forth in this Tax Agreement, none of the Bonds is subject to the volume cap requirements of Section 146 of the Code.

2.12 No Federal Guarantee. Neither the Issuer nor the Borrower will, directly or indirectly, use or permit the use of or otherwise invest any proceeds of the Bonds or any other funds of the Issuer or the Borrower or take or omit to take any action that would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code. In furtherance of this representation, warranty and covenant, neither the Issuer nor the Borrower will allow the payment of the principal or interest represented by the Bonds to be guaranteed (directly or indirectly) in whole or in part by the United States or any agency or instrumentality thereof. Neither the Issuer nor the Borrower will, except as provided in the next sentence, use 5% or more of the proceeds of the Bonds to make loans the payment of the principal or interest with respect to which are guaranteed (directly or indirectly) in whole or in part by the United States or any agency or instrumentality thereof, nor will the Issuer or the Borrower invest 5% or more of the proceeds of the Bonds in federally insured deposits or accounts. However, proceeds of the Bonds may be invested without regard to the limitation in this section as follows: investments qualifying for any temporary period; investments in the Bona Fide Debt Service Funds; investments in a reasonably required reserve and replacement fund; and investments in obligations issued by the United States Treasury or as otherwise provided by Section 149(b)(3) of the Code.

2.13 Information Reporting. Each of the Issuer and the Borrower certifies that it has reviewed the Internal Revenue Service Form 8038 to be filed in connection with the issuance of the Bonds, and believes that all of the information contained in the Form 8038 is true and complete. Such Form 8038 will be filed at the Internal Revenue Service Center, Ogden, Utah 84201 no later than the fifteenth day of the second calendar month following the close of the calendar year quarter in which the Bonds are issued (February 15, 2017).

2.14 No Hedge Bonds. On the date the Bonds were issued, the Borrower reasonably expected that more than 85% of the Spendable Proceeds would be expended for the governmental purpose of each such issue before the date that was three years after the date of issuance of the Bonds. In addition, no more than 50% of such Spendable Proceeds was invested in investment securities with a substantially guaranteed yield for four years or longer.

2.15 Registered Form. The Bonds are being issued in registered form.

2.16 Reimbursement for Prior Expenditures. For purposes of this Tax Certificate, Gross Proceeds will be treated as spent when they are or were used to pay or reimburse disbursements by the Borrower that are (i) capital expenditures, (ii) costs of issuing the Bonds,

(iii) interest on the Bonds through the later of three years after the Closing Date or one year after the Project is placed in service, (iv) initial operating expenses directly associated with the Project (in aggregate amount not exceeding 5% of the Sale Proceeds), or (v) other miscellaneous expenditures described in Treasury Regulations Section 1.148-6(d)(3)(ii). The Corporation hereby certifies with respect to costs of the Project paid prior to the Closing Date which will be allocated and charged against the proceeds of the Bonds (the “Reimbursement Costs”) that all of the Reimbursement Costs were paid in anticipation of reimbursement out of proceeds of a borrowing either (i) less than 60 days before adoption of a declaration of intent done in accordance with a resolution by the Borrower to reimburse certain expenditures from the proceeds of indebtedness in the form contemplated by Treasury Regulations Section 1.150-2(e) (see reimbursement documentation attached hereto as ***Exhibit F***) or (ii) for Preliminary Expenditures. All Reimbursement Costs (i) relate to portions of the Project which were placed in service no earlier than 18 months preceding the date of reimbursement and (ii) in no event were paid earlier than three years preceding the date hereof. The Borrower expects \$_____ of proceeds of the Bonds to be applied to Reimbursement Costs.

2.17 Allocations of Proceeds to Expenditures. Allocations of Proceeds of the Bonds must be made no later than 18 months after the date the facility to which the expenditure relates is completed and actually operating at substantially the level for which it was designed, but in all events not later than 60 days after the fifth bond year applicable to an issue of bonds. The Borrower will retain records of all allocations of proceeds to expenditures as provided in Section 2.18 herein.

The Issuer delegates to the Borrower the authority to allocate proceeds of the Bonds pursuant to any allocation and accounting method selected by the Borrower. The Borrower reasonably expects that it will allocate the proceeds of the Bonds to finance an undivided portion of the construction costs of the Project. The Issuer and the Borrower intend that the undivided portion or portions of the Project financed with Qualified Equity may be used for Private Use without restriction.

2.18 Retention of Records. The only records that the Issuer is obligated to retain are the transcripts for the Bonds. The Borrower covenants to maintain all records relating to the requirements of the Code and the representations, certifications and covenants set forth in this Tax Agreement until the date three years after the last outstanding Bonds have been retired. If any of the Bonds are refunded by tax-exempt bonds (the “***Refunding Bonds***”), the Borrower covenants to maintain all records required to be retained by this Section until the later of the date three years after the last outstanding Bonds have been retired or the date three years after the last Refunding Bonds have been retired. The records that must be retained include, but are not limited to:

2.18.1 Basic records and documents relating to the Bonds (including the Indenture, the Loan Agreement, this Tax Agreement, the Form 8038 and the Opinion of Counsel);

2.18.2 Documentation evidencing the expenditure of proceeds of the Bonds and proceeds of the Prior Bonds;

2.18.3 Documentation pertaining to any investment of Bond proceeds in Nonpurpose Investments purchased with Gross Proceeds of the Bonds (including the purchase date, purchase price, information establishing fair market value on the date such investment became a Nonpurpose Investment, any accrued interest paid, face amount, coupon rate, periodicity of interest payments, disposition price, any accrued interest received, disposition date, SLGs subscriptions, yield calculations for each class of investments, actual investment income received from the investment of proceeds, guaranteed investment contracts, and rebate calculations);

2.18.4 Documentation evidencing use of the Project by public and private sources (i.e., copies of management contracts, research agreements, leases, etc.); and

2.18.5 Documentation evidencing all sources of payment or security for the Bonds.

If the Internal Revenue Service issues further guidance concerning the retention of records, including guidance that would amend or alter the requirements of this Section, compliance with that guidance will constitute compliance with this Section.

2.19 Replacement Proceeds; Earmarked Grants or Donations. Replacement Proceeds are created when proceeds of the Bonds are used to, directly or indirectly, replace funds of the Borrower or any Related Person that (1) are or will be used directly or indirectly to acquire Investment Property reasonably expected to produce a yield materially higher than the yield on the Bonds and (2) have been earmarked to pay for all or a portion of the Project. The funds so replaced with Bond proceeds, including any donations, grants, or any other amounts, are considered “Replacement Proceeds.”

The term Replacement Proceeds applies to any grant or donation received by the Borrower or any Related Person to the extent there is a clear nexus between such grant or donation and its expenditure on all or a portion of the Project, either by way of actual restriction on the grant or donation, internal accounting designations with respect to such grant or donation or fundraising activities focusing exclusively on the funding of all or a portion of the Project. Such grants and donations include those that were solicited for specific components of the Project (collectively, the “*Donations*”). Accordingly, Replacement Proceeds result to the extent such Donations exceed the difference between the total cost of that particular component of the Project and the amount of Bond proceeds already expended on the same component.

The Borrower hereby covenants that once Replacement Proceeds have been created, they will be used to (i) promptly pay other costs of the Project that have not been financed with the proceeds of the Bonds or (ii) redeem Bonds at their earliest call date. To the extent such Replacement Proceeds are to be used to pay costs of the Project not being financed with Bond proceeds, such amounts shall be deposited in the Project Fund or otherwise tracked separately and be considered Gross Proceeds, including being subject to the same yield restrictions and yield limitations as Gross Proceeds. See Section 3.4.4 herein. To the extent that such Replacement Proceeds are to be used to redeem Bonds, the Borrower hereby further covenants that, pending their expenditure to pay the redemption price of the Bonds, such amounts will be invested at a yield not exceeding the yield on the Bonds, unless such amounts are reasonably expected to be held in a manner consistent with the provisions of Section 3.4.2 hereof (i.e., as bona fide debt service fund moneys).

2.20 Post-Issuance Compliance. The Issuer and the Borrower have covenanted to comply with certain requirements of the Code relating to the Rebate Requirement as discussed in Article V herein and relating to private use and/or unrelated trade or business use, and the Issuer intends to comply with these requirements through the obligation and undertaking by the Borrower to comply with these requirements (including, if necessary, the retention of a qualified rebate analyst and a post-issuance compliance expert), which the Borrower hereby acknowledges.

2.21 No Pooling. Neither the Issuer nor the Borrower will use the proceeds of the Bonds directly or indirectly to make or finance loans to two or more borrowers.

2.22 Post-Issuance Compliance Undertaking. The Borrower has covenanted herein and in the Loan Agreement to comply with certain requirements of the Code applicable to the Bonds (the “Post-Issuance Requirements”). Further, the Borrower covenants that it has adopted, or, if not, will promptly adopt, management practices and procedures to ensure the Borrower complies with the Post-Issuance Requirements with respect to the Bonds and that such procedures will include all of the requirements of the Issuer, as set forth in the Issuer’s post-issuance compliance procedures attached hereto as *Exhibit G*.

2.23 Retention of Post-Issuance Compliance Expert. The Corporation has retained the firm of Bond Logistix LLC to provide certain post-issuance tax compliance services that may be required from time to time with respect to the Bonds.

III.

Arbitrage

3.1 Reasonable Expectations. This Article III sets forth the reasonable expectations, statements of fact and representations of the Issuer and the Borrower with respect to the amount and use of the proceeds of the Bonds and certain other funds.

3.2 Allocation of Sale Proceeds. Sale Proceeds are allocated as described in this Section. The pricing numbers relating to the Bonds are attached hereto as *Exhibit C*.

3.2.1 Project Fund. \$_____ will be deposited in the Project Fund and used to pay or reimburse costs of the Project.

3.2.2 Costs of Issuance. Sale Proceeds in the amount of \$_____ are allocated to pay costs of issuing the Bonds.

3.3 No Overissuance. The total proceeds to be received from the sale of the Bonds, together with all other funds made available by the Borrower, and anticipated investment earnings thereon, do not exceed the total of the amount necessary to finance the government purposes for which the Bonds are issued as described herein.

3.4 Funds and Accounts.

3.4.1 General. The following funds and accounts relating to the Bonds have been or will be established under the Indenture:

- Project Fund
- Revenue Fund
 - Interest Account
 - Principal Account
 - Sinking Account
- Redemption Fund
 - Optional Redemption Account
 - Special Redemption Account
- Costs of Issuance Fund
- Gross Revenue Fund (created under Master Indenture)
- Rebate Fund

Investment Proceeds allocable to amounts in all funds and accounts established for the Bonds shall be retained therein until expended for the purposes for which such funds and accounts were established or as otherwise permitted under this Tax Agreement.

3.4.2 Bona Fide Debt Service Funds.

(a) **Revenues.** The Bonds are limited obligations of the Issuer payable solely from Loan Repayments made by the Borrower under the Loan Agreement and Obligation No. 5 issued under the Master Indenture and certain other amounts including proceeds of the Bonds held in the funds and accounts established pursuant to the Indenture (other than the Rebate Fund to the extent of the Rebate Requirement). Loan Repayments consist principally of amounts received by the Issuer or the Trustee from or with respect to the Loan Agreement. Such payments are expected to be made by the Borrower from its current receipts, which are expected to be in excess in each year of the payments required to be made. Loan Repayments are expected to equal or exceed debt service on the Bonds during each applicable period ending on an Interest Payment Date.

(b) **Bona Fide Debt Service Funds.** The Revenue Fund (and all accounts therein) and the Redemption Fund (and all accounts therein) (collectively, the “**Bona Fide Debt Service Funds**”) will be used primarily to achieve a proper matching of revenues and debt service on the Bonds issued under the Indenture within each Bond Year. The Bona Fide Debt Service Funds will be depleted at least once a year except for a reasonable carryover amount in the aggregate not to exceed the greater of the prior Bond Year’s earnings on such fund or 1/12th of the prior Bond Year’s debt service on the Bonds. Amounts deposited to the Bona Fide Debt Service Funds will be spent within 13 months after the date of receipt by or on behalf of the Borrower and any amounts received from the investment or reinvestment of moneys held in such funds will be expended within 1 year after the date of accumulation thereof in such funds and accounts. To the extent that amounts in the Bona Fide Debt Service Funds are spent within the period and in the manner required by this Section, such amounts may be invested without regard to yield.

3.4.3 Project Fund. Funds deposited in the Project Fund will be used to pay the capital costs of the Project. No moneys in the Project Fund shall be used to pay Costs of Issuance or interest accruing on the Bonds. Any Sale Proceeds or Investment Proceeds remaining unspent on or after May 7, 2018, shall be invested either in (i) Investment Property with a yield not exceeding the yield on the Bonds, (ii) assets that are not treated as Investment Property (e.g., Tax-Exempt Bonds), or (iii) assets that satisfy the requirements for qualified yield reduction payments set forth in Treasury Regulations Section 1.148-5(c), subject to the limitation set forth in Section 1.148-10(b)(1)(ii). The Borrower expects to spend at least 85% of the Sale Proceeds deposited in the Project Fund within the 3-year period following the Closing Date. A substantially binding obligation to third parties to expend at least 5% of the Net Sale Proceeds of the Bonds will be incurred within 6 months of the Closing Date, and the completion of the Project (and the allocation of such Sale Proceeds to expenditures on the Project) will proceed with due diligence. Sale Proceeds deposited into the Project Fund may be invested at an unrestricted yield for the three-year period following the Closing Date but will be subject to the arbitrage rebate requirements of Section 148(f) of the Code.

3.4.4 Gross Revenue Fund. The Master Indenture provides that all Gross Revenues shall be deposited in the Gross Revenue Fund upon certain conditions being met, as potential collateral and security for the Bonds. To the extent they are deposited to be used as collateral and security for the Bonds, such amounts held in the Gross Revenue Fund may not be invested at a yield in excess of the Yield on the Bonds. Notwithstanding the

foregoing, the Borrower does not expect that such conditions will be met where amounts will be deposited in the Gross Revenue Fund to provide collateral and security for the Bonds.

3.4.5 No Replacement Proceeds. Other than the Bona Fide Debt Service Funds, there are no funds or accounts of the Borrower or any person who is a Related Person to the Borrower established pursuant to the Indenture, or otherwise, which are reasonably expected to be used to pay debt service with respect to the Bonds or which are pledged as collateral for the Bonds and for which there is a reasonable assurance that amounts therein or the investment income earned from such funds or accounts will be available to pay debt service with respect to the Bonds in the event that the Borrower encounters financial difficulties. In particular, no Pledge Fund or Sinking Fund is established in connection with the Bonds, and the Borrower does not expect that amounts in the Gross Revenue Fund will be used as a Pledge Fund or Sinking Fund.

3.4.6 Costs of Issuance Fund. As set forth in Section 3.2.2 herein, certain Sale Proceeds are allocated to pay the costs of issuing the Bonds. Such amount may be invested without regard to yield for 13 months from the Closing Date.

3.4.7 Rebate Fund. Pursuant to the Indenture and the Loan Agreement, the Issuer and the Borrower have covenanted not to use moneys on deposit in any fund or account in connection with the Bonds in a manner which will cause the Bonds to be arbitrage bonds within the meaning of Section 148 of the Code. To that end, the Rebate Fund is created under the Indenture. Pursuant generally to Article V hereof and specifically to Section 5.2 hereof, the Trustee shall deposit into the Rebate Fund any payments received from the Borrower for purposes of ultimate rebate to the United States. The amount required to be held in the Rebate Fund at any point in time is determined pursuant to the requirements of the Code, including particularly Section 148(f) of the Code and the regulations applicable thereto. Moneys in the Rebate Fund are neither pledged to nor expected to be used to pay debt service on the Bonds. Sale Proceeds and Investment Proceeds are not expected to be held in the Rebate Fund, but must be invested in accordance with Section 4.2 herein if

they are so held. All other amounts held in the Rebate Fund will be invested without regard to yield.

3.5 No Replacement.

3.5.1 No portion of the proceeds of the Bonds will be used directly or indirectly to replace funds of the Issuer or the Borrower or any persons who are Related Persons to either the Issuer or the Borrower that are intended to be used for the purpose for which the Bonds is issued and used directly or indirectly to acquire Investment Property reasonably expected to produce a yield higher than the yield on the Bonds.

3.5.2 No Other Replacement Proceeds. The average weighted maturity of the Bonds is no longer than is reasonably necessary for the governmental purposes of the Bonds. The weighted average maturity of the Bonds does not exceed 120% of the average reasonably expected economic life of the Project. See also Section 2.7 hereof.

3.6 No Abusive Arbitrage Device. The Bonds are not and will not be part of a transaction or series of transactions that (i) attempts to circumvent the provisions of Section 148 of the Code (or any successor thereto) and related regulations, enabling the Issuer, the Borrower, or any persons who are Related Persons to either the Issuer or the Borrower to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage, and (ii) increases the burden on the market for tax-exempt obligations in any manner, including, without limitation, selling bonds that would not otherwise be sold, or selling more bonds, or issuing them sooner, or allowing them to remain outstanding longer, than would otherwise be necessary.

3.7 Acquisition of Acquired Program Obligations. The Issuer is entering into the Loan Agreement as part of a governmental program (the “**Program**”) created to assist participating nonprofit educational and other exempt facilities to obtain tax-exempt financing for their respective projects. In all cases, at least 95% of the payments received by the Issuer under the sale agreements entered into in connection with the Program will be used to pay debt service on the obligations relating to the Program, to reimburse the Issuer or to pay directly for the costs of issuing such obligations or to redeem and retire such obligations at the earliest possible dates of redemption. Except as provided in the Indenture, the Borrower covenants that it will not purchase, pursuant to a formal or informal arrangement, the Bonds or other obligations of the Issuer issued pursuant to the Program in an amount related to the amount of the Loan made under the Loan Agreement. See also, Section 4.3 herein.

IV.

Yield and Yield Restriction

4.1 Yield With Respect to the Bonds.

4.1.1 Generally. The aggregate issue price of the Bonds is \$177,922,028.30, which represents the price at which the Bonds have been sold to the ultimate purchaser(s), as represented by the Underwriter in *Exhibit H* hereto. For purposes hereof, yield shall be calculated on a 360-day year basis with interest compounded semiannually. The Yield on the Bonds has been calculated to be at least %. Yield on the Bonds is generally calculated as set forth in Section 148(h) of the Code and Treasury Regulations Sections 1.148-4 and 1.148-5 for purposes of this Tax Agreement. Thus, yield on the Bonds or yield on Investment Property generally means that discount rate which, when used in computing the present value of all unconditionally payable payments representing principal adjusted, as required, for any substantial discounts, interest and costs of qualified guarantees, and swap termination payments (deemed or actual), produces an amount equal to the issue price of the Bonds or the purchase price of the Investment Property, as appropriate.

4.1.2 No Qualified Guarantee. No qualified guarantee is being obtained in connection with the Bonds on the date hereof.

4.1.3 No Qualified Hedge Applicable to Bonds. No contract has been, and (absent an Opinion of Counsel) no contract will be entered into such that failure to take the contract into account would distort the yield on the Bonds or otherwise would fail clearly to reflect the economic substance of the transaction.

4.2 Yield Restriction. Absent an Opinion of Counsel, if (A) any amounts held in the Bona Fide Debt Service Funds that remain unexpended after 13 months from the date of accumulation therein, plus (B) any Sale Proceeds or Investment Proceeds held in the Rebate Fund, plus (C) any unexpended Sale Proceeds and Investment Proceeds held to pay costs of issuance 13 months after the Closing Date, plus (D) any unexpended Sale Proceeds and Investment Proceeds held in the Project Fund three years after the Closing Date, plus (E) all amounts received from the investment or reinvestment of Sale Proceeds after a one-year period beginning on the date of receipt of such amounts, at any time, in the aggregate, exceeds \$100,000, such excess will be invested either (i) in Investment Property with a yield not exceeding the yield on the Bonds, (ii) in assets that are not treated as Investment Property (e.g.,

Tax-Exempt Obligations), or (iii) in assets that satisfy the requirements for qualified yield reduction payments set forth in Treasury Regulations Section 1.148-5(c), subject to the limitation set forth in Section 1.148-10(b)(1)(ii).

4.3 Yield on Acquired Program Obligations. Payments of principal and interest by the Borrower to the Issuer under the Loan Agreement will be made in the same amounts as the principal and interest coming due with respect to the Bonds and will be held by the Trustee for the account of the Borrower until applied to its payment with respect to the Bonds. The Borrower also is required to pay or reimburse the Issuer for certain administrative expenses, including the costs of issuing the Bonds and the fees and expenses of the Trustee and any paying agents, but excluding general expenses or administrative overhead of the Issuer. The present value of these payments to the Issuer will not exceed the present value of the administrative costs paid by the Issuer. The yield on the Loan Agreement is not expected to be greater than one and one-half percentage point more than the yield on the Bonds. Neither the Issuer nor the Borrower has entered into any hedge or qualified guarantee with respect to the Bonds.

V.

Rebate

5.1 Undertakings. The Issuer and the Borrower have covenanted to comply with certain requirements of the Code relating to the Rebate Requirement as discussed in this Article V. The Issuer intends to comply with these requirements through the obligation and undertaking of the Borrower to comply with these same requirements (including retention of a qualified rebate analyst, if necessary), which the Borrower hereby acknowledges. The Issuer and the Borrower acknowledge that the United States Department of the Treasury has issued regulations with respect to certain of these undertakings, including the proper method for computing whether any rebate amount is due the federal government under Section 148(f) of the Code. The Borrower has covenanted, and the Issuer is relying on such covenant, that the Borrower will undertake to determine precisely what is required with respect to the rebate provisions contained in Section 148(f) of the Code and said regulations from time to time and will comply with any requirements that may be applicable to the Bonds. Except to the extent inconsistent with any requirements of the Code or the regulations or future regulations, the Issuer and the Borrower will undertake the methodology described in this Tax Agreement.

5.2 Rebate Fund. A special fund designated the “Rebate Fund” has been established pursuant to the Indenture. The Issuer and the Borrower have agreed to keep the Rebate Fund separate and apart from all other funds and moneys held by any of the Issuer, the Borrower and the Trustee.

5.3 Recordkeeping. The Borrower shall maintain or cause to be maintained detailed records with respect to each Nonpurpose Investment attributable to Gross Proceeds of the Bonds, including: (a) purchase date; (b) purchase price; (c) information establishing fair market value on the date such investment became a Nonpurpose Investment; (d) any accrued interest paid; (e) face amount; (f) coupon rate; (g) periodicity of interest payments; (h) disposition price; (i) any accrued interest received; and (j) disposition date. Such detailed recordkeeping is required to facilitate the calculation of the Rebate Requirement.

5.4 Exceptions to the Rebate Requirement.

5.4.1 Bona Fide Debt Service Funds.

Subject to the representations and certifications made in Section 3.4.2 of this Tax Agreement, no rebate calculations will need to be made with respect to any moneys in the Bona Fide Debt Service Funds.

5.4.2 Six-Month Expenditure Exception.

Except for Gross Proceeds deposited in the Bona Fide Debt Service Funds, if on or before the date six (6) months after the Closing Date, at least 95% of the Expenditure Exception Gross Proceeds are expended, and any remaining Expenditure Gross Proceeds are spent on or before the date twelve months after the Closing Date, the Rebate Requirement shall be treated as having been satisfied with respect to such Expenditure Exception Gross Proceeds.

5.4.3 Eighteen-Month Expenditure Exception. The Borrower will be treated as having satisfied the Rebate Requirement with respect to the Expenditure Exception Gross Proceeds allocated to expenditures for a governmental purpose of the Bonds in accordance with the following schedule (the “Eighteen-Month Expenditure Schedule”), measured from the Closing Date:

End of first six months	15%
End of first year	60%
End of first 18 months	100%

In addition, the eighteen-month expenditure exception requires that the Rebate Requirement be satisfied with respect to all amounts not required to be spent pursuant to the Eighteen-Month Expenditure Schedule (other than earnings on the Bona Fide Debt Service Funds). All of the Expenditure Exception Gross Proceeds will be treated as expended after 18 months if the remainder is a “reasonable retainage” as required or permitted by construction contracts with the Corporation’s contractors and such remainder is spent within 30 months of the Closing Date.

5.4.4 Two-Year Construction Exception.

The Available Construction Proceeds of the Bonds may not be subject to the Rebate Requirement. The Borrower reasonably expects that at least 75% of the Available Construction Proceeds will be expended for construction expenditures with respect to property that will be owned by the Borrower. For purposes of this Section 5.4.4, “construction expenditures” include costs for construction, reconstruction and rehabilitation, but do not include costs of

acquisition of interests in land or other existing real property. All of the Available Construction Proceeds will be deposited or are expected to be deposited in the Project Fund.

The portions of the Available Construction Proceeds required to be spent at the end of each 6-month period are as follows:

End of first six months	10%
End of first year	45%
End of first 18 months	75%
End of second year	100%

The requirement that 100% of the Available Construction Proceeds be expended within two years of the Closing Date will be met if at least 95% of the Available Construction Proceeds is spent by such time, if the remainder is a “reasonable retainage” as required or permitted by construction contracts with the Borrower’s contractors, and if such remainder is spent within the three years of the Closing Date. In determining Available Construction Proceeds as of any date, there shall be included the amount of investment earnings reasonably expected after such date along with investment earnings actually received or accrued as of such date.

5.5 Rebate Requirement Calculation and Payment.

5.5.1 To the extent any Proceeds of the Bonds do not meet an exception to rebate as described herein, the Borrower will prepare or cause to be prepared a calculation of the Rebate Requirement at least once every five years, consistent with the rules described in this Section 5.5 and, upon the request of the Issuer, deliver such calculation to the Issuer. The Borrower will complete such calculation of the Rebate Requirement, if required, within 55 days after the close of each fifth Bond Year and within 55 days after the first date on which the Bonds are no longer outstanding for federal tax purposes. Concurrent with the preparation of such calculation, the Borrower shall deposit in the Rebate Fund, as necessary, an amount which when added to amounts already on deposit therein will equal the Rebate Requirement or, if appropriate, decrease the sum held in the Rebate Fund to the Rebate Requirement.

5.5.2 For purposes of calculating the Rebate Requirement (i) the aggregate amount earned with respect to a Nonpurpose Investment shall be determined by assuming that the Nonpurpose Investment was acquired for an amount equal to its fair market value (determined as provided in §1.148-5(d)(6) of the Treasury Regulations as applicable) at the time it becomes a Nonpurpose Investment,

and (ii) the aggregate amount earned with respect to any Nonpurpose Investment shall include any unrealized gain or loss with respect to the Nonpurpose Investment (based on the assumed purchase price at fair market value and adjusted to take into account amounts received with respect to the Nonpurpose Investment and earned original issue discount or premium) on the first date when the Bonds is no longer outstanding for federal tax purposes or when the investment ceases to be a Nonpurpose Investment. Any amounts held in the Bona Fide Debt Service Funds shall be excluded from the Rebate Calculation for any year in which earnings on such Bona Fide Debt Service Funds do not exceed \$100,000.

5.5.3 The Borrower shall pay to the United States Department of the Treasury from the Rebate Fund, not later than 60 days after the end of the fifth Bond Year and each succeeding fifth Bond Year, an amount equal to 90%, and not later than 60 days after the first date when the Bonds is no longer outstanding for federal tax purposes, an amount equal to 100% of the Rebate Requirement (determined as of the first date when the Bonds is no longer Outstanding for federal tax purposes) plus any actual or imputed earnings on such Rebate Requirement, all as set forth in §1.148-3 of the Treasury Regulations.

5.5.4 Each payment required to be made pursuant hereto shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201, on or before the date such payment is due, and shall be accompanied by Form 8038-T. A copy of such form, upon the request of the Issuer, shall be delivered to the Issuer. The Borrower shall retain records of the calculations required by this Section 5.5 until three years after the retirement of the last of the Bonds.

5.6 Investment and Dispositions.

5.6.1 General Rule. No Investment Property may be acquired with Gross Proceeds for an amount (including transaction costs, except as otherwise provided in §1.148-5(e) of the Treasury Regulations) in excess of the fair market value of such Investment Property. No Investment Property may be sold or otherwise disposed of for an amount (including transaction costs, except as otherwise provided in §1.148-5(e) of the Treasury Regulations) less than the fair market value of the Investment Property.

5.6.2 Fair Market Value. In general, the fair market value of any Investment Property is the price at which a willing buyer would pay to a willing seller to acquire the Investment Property, with no amounts paid to artificially reduce or increase the yield on such Investment Property. This Section 5.6 sets forth certain safe harbors for determining fair market value. Other methods may be used to establish fair market value, provided, however, that such methods comply with the requirements of §1.148-5(d)(6) of the Treasury Regulations.

5.6.3 Arm's Length Purchase and Sale. If Investment Property is acquired pursuant to an arm's length transaction without regard to any amount paid to reduce the yield on the Investment Property, the fair market value of the Investment Property shall be the amount paid for the Investment Property (without increase for transaction costs, except as otherwise provided in §1.148-5(e) of the Treasury Regulations). If Investment Property is sold or otherwise disposed of in an arm's length transaction without regard to any reduction in the disposition price to reduce the Rebate Requirement, the fair market value of the Investment Property shall be the amount realized from the sale or other disposition of the Investment Property (without reduction for transaction costs, except as otherwise provided in §1.148-5(e) of the Treasury Regulations).

5.6.4 United States Treasury Securities – State and Local Government Series. If a United States Treasury obligation is acquired directly from or disposed of directly to the United States Department of the Treasury (as in the case of the United States Treasury Securities - State and Local Government Series (“*SLGS*”) obligations), such acquisition or disposition shall be treated as establishing a market for the obligation and as establishing the fair market value of the obligation.

5.6.5 Investment Contracts. The purchase price of any Investment Property acquired pursuant to an investment contract (within the meaning of §1.148-5(d)(6)(iii) of the Treasury Regulations) will be considered to be fair market value if:

The purchase price of an investment contract will be considered to be fair market value if:

(i) the Borrower has made (or have had made on its behalf) a bona fide solicitation for the investment contract; the solicitation must have specified the material terms of the investment contract (i.e., all the terms that could directly or indirectly affect the yield or the cost of the investment including the collateral security requirements for the investment contract) and, unless the moneys invested pursuant to such investment contract will be held in a reasonably required reserve fund or the bona fide debt service funds, the Borrower's reasonably expected drawdown schedule for the moneys to be invested; the solicitation has a legitimate business purpose (i.e., a purpose other than to increase the purchase price or reduce the yield) for every term of the bid specification;

(ii) all bidders have an equal opportunity to bid so that, for example, no bidder is given the opportunity to review other bids (a last look) before bidding;

(iii) the Borrower solicit bids from at least three (3) investment contract providers with established industry reputations as competitive providers of investment contracts;

(iv) the Borrower include in the bid specifications a statement to potential bidders that by submitting a bid, the provider is making certain representations that the bid is bona fide, and specifically that 1) the bidder did not consult with any other potential provider about its bid, 2) the bid was determined without regard to any other formal or informal agreement that the potential provider had with the Borrower or any other person, and 3) the bid was not submitted solely as a courtesy to the Borrower or any other person for purposes of satisfying the requirements of §1.148-5 of the Treasury Regulations;

(v) at least three bids meeting the qualification requirements of the bid solicitation (as set forth in (i) above) have been received from different providers of investment contracts that have no material financial interest in the Bonds (the following investment contract providers are considered to have a material financial interest in the issue: 1) a lead underwriter in a negotiated underwriting, but only until 15 days after the issue date of the issue; 2) an entity acting as a financial advisor with respect to the purchase of the investment contract at the time the bid specifications were forwarded to potential providers; and 3) any related party to a provider that is disqualified for one of the two preceding reasons);

(vi) at least one of the bids received by the Borrower that meets the requirements of the preceding paragraph is from an investment contract provider with an established industry reputation as a competitive provider of investment contracts;

(vii) the investment contract has a yield (net of any broker's fees) at least equal to the highest yielding of the qualifying bids received from the bidders that have no material financial interest in the Bonds; if the investment contract is not the highest-yielding of the qualifying bids, the Borrower must have significant non-tax reasons, such as creditworthiness of the bidder, for failure to purchase the highest-yielding investment contract offered;

(viii) if an agent for the Borrower conducts the bidding process, the agent does not bid;

(ix) the provider of the investment contract certifies as to all administrative costs to be paid on behalf of the Borrower, including any fees paid as broker commissions in connection with the investment contract.

5.6.6 Deemed Acquisition or Sale. The fair market value of any Investment Property not directly purchased with Gross Proceeds but allocated to the Bonds for which there is an established securities market (within the meaning of §15A.453-1(e)(4)(iv) of the Temporary Treasury Regulations) shall be determined as provided in this Section 5.6.6 (Any market especially established to provide Investment Property to an issuer of governmental obligations shall not be treated as an established securities market.) The price at which a willing buyer would purchase Investment Property that is traded in an established securities market generally shall be determined as provided in §20.2031-2 of the Estate Tax Regulations, as adjusted by Treasury Regulations §1.148-5(d).

5.6.7 Certificates of Deposit. The purchase price of a certificate of deposit issued by a commercial bank that has a fixed interest rate, a fixed principal payment schedule, a fixed maturity, and a substantial penalty for early withdrawal will be considered to be fair market value if:

- (i) the yield on the certificate of deposit is not less than the yield on reasonably comparable direct obligations of the United States; and
- (ii) the yield on the certificate of deposit is not less than the highest published yield of the provider thereof which is currently available on comparable certificates of deposit offered to the public.

5.6.8 Broker Compensation. For purposes of computing the Yield on any investment contract acquired through a broker, reasonable compensation received by such broker, whether payable by or on behalf of the obligor or obligee of such investment contract, may be taken into account in determining the cost of the investment contract (as provided in §1.148-5(e)(2)(iii) of the Treasury Regulations). [For the calendar year 2016, compensation is deemed reasonable if does not exceed the lesser of i) \$39,000 or ii) 0.2% of the amount reasonably expected, as of the date of acquisition of the investment contract, to be invested under the investment contract over its term, or \$4,000 (if 0.2% of such amount reasonably expected to be invested under the investment contract over its term is less than \$4,000). In addition, the total fees received by the broker with respect to the investment of any proceeds of the Bonds that are taken into account with respect to all investment contracts, at any time, may not exceed

\$110,000.] All amounts referenced are to be adjusted for inflation after the Closing Date.

5.7 Segregation of Proceeds. In order to perform the calculations required by the Code, it is necessary to track separately all of the Gross Proceeds. To that end, the Issuer and the Borrower shall cause to be established separate subaccounts or shall cause the Trustee to take such other accounting measures as are necessary in order to account fully for all Gross Proceeds.

5.8 Filing Requirements. The Issuer and the Borrower will file or cause to be filed such reports or other documents with the Internal Revenue Service as is required by the Code.

5.9 Retention of Firm. The Borrower has decided to undertake its rebate obligations as follows:

_____ The Issuer and the Borrower initially have retained the firm of Bond Logistix LLC to perform rebate calculations that may be required to be made from time to time with respect to the Bonds.

_____ The Issuer and the Borrower initially have retained the firm of _____ to perform rebate calculations that may be required to be made from time to time with respect to the Bonds.

_____ The _____ of the Borrower has undertaken full responsibility for performing rebate calculations that may be required to be made from time to time with respect to the Bonds.

— The Issuer and the Borrower have decided not, at this time, to designate a party responsible for performing rebate calculations that may be required to be made from time to time with respect to the Bonds and as a result undertake and assume full responsibility for rebate compliance and acknowledges that neither bond counsel nor the Trustee has any such responsibility (unless later engaged in writing for such purpose)

— The Issuer and the Borrower have determined that it is not likely that they will earn any arbitrage subject to rebate with respect to the Bonds.

VI.

Other Matters

6.1 This Tax Agreement shall be construed in accordance with and governed by the laws of the State of California applicable to contracts made and performed in the State of California. This Tax Agreement shall be enforceable in the State of California, and any action arising hereunder shall (unless waived by the Issuer in writing) be filed and maintained in the Superior Court of California, County of Sacramento.

6.2 The undersigned are authorized representatives of the Issuer and the Borrower, respectively, and are acting for and on behalf of the Issuer and the Borrower, respectively, in executing this Tax Agreement. To the best of the knowledge and belief of the undersigned, there

are no other facts, estimates or circumstances that would materially change the expectations as set forth herein, and said expectations are reasonable.

6.3 Notwithstanding any provision of this Tax Agreement, the Issuer and the Borrower may amend this Tax Agreement and thereby alter any actions allowed or required by this Tax Agreement if such amendment is based on an Opinion of Counsel.

Dated: November __, 2016.

CALIFORNIA HEALTH FACILITIES
FINANCING AUTHORITY

By: _____
Deputy Treasurer
For Chairman, State Treasurer John Chiang

By: _____
Executive Director

EL CAMINO HOSPITAL

By: _____
Authorized Representative

EXHIBIT A

PROJECT

[SEE ATTACHED SPREADSHEET]

EXHIBIT B
[RESERVED]

EXHIBIT C
PRICING NUMBERS
[ATTACHED]

EXHIBIT D
NOTICE OF PUBLIC APPROVAL

EXHIBIT E
TREASURER'S APPROVAL

EXHIBIT F
REIMBURSEMENT RESOLUTION
[SEE ATTACHED]

EXHIBIT G
ISSUER POST-ISSUANCE COMPLIANCE REQUIREMENTS
[ATTACHED]

EXHIBIT H

CERTIFICATE OF UNDERWRITER

CITIGROUP GLOBAL MARKETS INC. (the “*Underwriter*”) has served as the underwriter in connection with the issuance by the CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (the “*Issuer*”) of \$[PAR] aggregate stated principal amount of the Issuer’s Revenue Bonds (El Camino Hospital) Series 2016 (the “*Bonds*”). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Tax Certificate and Agreement to which this Certificate is attached as an exhibit. The Underwriter hereby certifies as follows:

- A. As of November __, 2016 (the “*Sale Date*”), the Underwriter had offered all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriter or wholesalers) in a *bona fide* public offering at the prices set forth in the attached schedule (the “*Offering Prices*”).
- B. The Offering Prices of the Bonds do not exceed a fair market price as of the Sale Date.
- C. As of the date of this certificate, at least 10% of each maturity of the Bonds has actually been sold to the general public at such respective Offering Price.

The undersigned is authorized to execute this certificate on behalf of the Underwriter, which is based on one or more of (i) personal knowledge, (ii) inquiry deemed adequate by the undersigned, and (iii) institutional knowledge regarding the matters set forth herein.

Dated: November __, 2016.

CITIGROUP GLOBAL MARKETS INC.,
as Underwriter

Authorized Representative

OFFERING PRICES SCHEDULE

[See Pricing Numbers Attached as Exhibit C to the Tax Certificate]

Att. 06 04 DRAFT Preliminary Official Statement

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER [20], 2016

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS[†]

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein.

**\$(PAR)*
CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
REVENUE BONDS (EL CAMINO HOSPITAL)
SERIES 2016**

[ECH Logo]

Dated: Date of Delivery

Due: February 1, as set forth on the inside cover hereof

This cover page contains certain information for quick reference only. It is not intended to be a summary of the security or terms of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The California Health Facilities Financing Authority Revenue Bonds (El Camino Hospital), Series 2016 (the “Bonds”) will be issued as fully registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), under the book entry only system maintained by DTC. Purchases of the Bonds may be made in book-entry form only form (without physical certificates) in denominations of \$5,000 or any integral multiple thereof within a maturity. So long as Cede & Co. is the registered owner of the Bonds, principal of, premium, if any, and interest on the Bonds will be payable by Wells Fargo Bank, National Association, as bond trustee, to DTC, which in turn will remit such payments to its participants for subsequent disbursement to Beneficial Owners of the Bonds, as more fully described herein, and all notices, including any notice of redemption, shall be mailed only to Cede & Co. See “BOOK-ENTRY SYSTEM” herein. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2017.

The Bonds are being issued by the California Health Facilities Financing Authority (the “Authority”), which will lend the proceeds of the sale of the Bonds to El Camino Hospital (the “Corporation”) pursuant to a Loan Agreement to provide funds which the Corporation will use (i) to finance certain capital expenditures at facilities owned or operated by the Corporation (the “Project”) (ii) to finance interest payable on the Bonds through _____, 20____, and (iii) pay costs incurred in connection with the issuance of the Bonds. See “PLAN OF FINANCE” herein.

The Bonds are limited obligations of the Authority, secured under the provisions of the Bond Indenture and the Loan Agreement, as described herein, and will be payable from Loan Repayments made by the Corporation under the Loan Agreement and from certain funds held under the Bond Indenture. The obligation of the Corporation to make such payments is evidenced and secured by Obligation No. 6, issued under the Master Indenture, described herein, whereunder the members of the obligated group (the “Obligated Group”), in which currently only the Corporation is a member, are obligated to make payments on Obligation No. 6 in amounts sufficient to pay principal of and premium, if any, and interest on the Bonds when due.

THE BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE AUTHORITY OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS THEREFOR PROVIDED. NEITHER THE STATE OF CALIFORNIA NOR THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE BONDS OR THE PREMIUM, IF ANY, OR THE INTEREST THEREON EXCEPT FROM THE FUNDS PROVIDED UNDER THE LOAN AGREEMENT AND THE OTHER ASSETS PLEDGED UNDER THE BOND INDENTURE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE PREMIUM, IF ANY, OR THE INTEREST ON THE BONDS. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER.

The Bonds are subject to optional, mandatory and extraordinary optional redemption prior to maturity as described herein.

The Bonds are offered when, as and if received by the Underwriter, subject to prior sale and to the approval of the validity of the Bonds and certain legal matters by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, the approval of certain matters for the Authority by the Attorney General of the State of California, for the Corporation by Buchalter Nemer, A Professional Corporation, San Francisco, California, and for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California. Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel, will provide certain other legal services for the Authority. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC, on or about November [15], 2016.

HONORABLE JOHN CHIANG
Treasurer of the State of California
As Agent for Sale

Citigroup

Date: November __, 2016.

* Preliminary, subject to change.

† For an explanation of the ratings, see “RATINGS” herein.

\$[PAR]*
CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
REVENUE BONDS
(EL CAMINO HOSPITAL)
SERIES 2016

Maturity Date (February 1)	Principal Amount	Interest Rate	Yield	CUSIP [†]
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\$ _____ % Term Bond due February 1, 20__ – Priced to Yield ____%, CUSIP[†] _____

\$ _____ % Term Bond due February 1, 20__ – Priced to Yield ____%, CUSIP[†] _____

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2016 CUSIP Global Services. All rights reserved. CUSIP data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS data base. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the Underwriter, or the Corporation and are included solely for the convenience of the registered owners of the applicable Bonds. None of the Authority, the Underwriter or the Hospital is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. None of the Authority, the Corporation, or the Underwriter assume any responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Bonds.

* Preliminary, subject to change.

The information relating to the Authority set forth herein under the captions “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION – The Authority” has been furnished by the Authority. The Authority does not warrant the accuracy of the statements contained herein relating to the Corporation nor does it directly or indirectly guarantee, endorse or warrant (1) the creditworthiness or credit standing of the Corporation, (2) the sufficiency of the security for the Bonds or (3) the value or investment quality of the Bonds. The Authority makes no representations or warranties whatsoever with respect to any information contained therein except for the information under the sections entitled “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION – The Authority.” All other information contained herein has been obtained from the Corporation, DTC and other sources (other than the Authority) that are believed to be reliable. Such other information is not guaranteed as to accuracy or completeness and is not to be relied upon or construed as a promise or representation by the Authority or the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The Bonds and Obligation No. 6 have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, and neither the Bond Indenture nor the Master Indenture has been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The registration or qualification of the Bonds in accordance with the applicable provisions of securities laws of the states in which the Bonds have been registered or qualified, if any, and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Corporation or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement in connection with the offering made hereby, and, if given or made, such information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any statement nor any sale made hereunder shall create under any circumstances any implication that there has been no change in the affairs of the Authority, the Corporation, or DTC. This Official Statement is submitted in connection with the issuance of the Bonds referred to herein and may not be used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

CAUTIONARY STATEMENTS REGARDING
FORWARD-LOOKING STATEMENTS IN
THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements generally are identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information under the captions “BONDHOLDERS’ RISKS,” and APPENDIX A – “INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES – STRATEGIC PLAN,” “– HOSPITAL FACILITIES AND SERVICES” and “– MANAGEMENT’S DISCUSSION OF FINANCIAL OPERATIONS” in this Official Statement. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Corporation does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

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\$(PAR)*
CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
REVENUE BONDS (EL CAMINO HOSPITAL)
SERIES 2016

INTRODUCTION

The following introduction is subject in all respects to the more complete information set forth in this Official Statement. All descriptions and summaries of documents referred to herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such document. Terms used in this Official Statement and not otherwise defined have the same meanings as in the Bond Indenture (as defined below) or, if not defined in the Bond Indenture, in the Master Indenture (as defined below). See APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS – Definitions of Certain Terms.”

Purpose of the Official Statement

This Official Statement, including the cover page, the inside cover page and the appendices hereto, is provided to furnish information in connection with the sale and delivery by the California Health Facilities Financing Authority (the “Authority”) of \$(PAR)* aggregate principal amount of its Revenue Bonds (El Camino Hospital), Series 2016 (the “Bonds”). The Bonds will be issued pursuant to and secured by a bond indenture, dated as of May 1, 2015 (the “Bond Indenture”), between the Authority and Wells Fargo Bank, National Association, as bond trustee (in such capacity, the “Bond Trustee”). The Authority will lend the proceeds of the Bonds to El Camino Hospital (the “Corporation”), which loan will be evidenced by a loan agreement, dated as of May 1, 2015 (the “Loan Agreement”), between the Authority and the Corporation.

El Camino Hospital

The Corporation is a California nonprofit public benefit corporation which operates a single hospital comprised of two campuses (one in Mountain View and one in Los Gatos, California). The hospital is licensed by the State of California Department of Health Services for up to 443 beds and accredited by The Joint Commission (the “Hospital”). For a description of the Corporation, its facilities and financial performance, see APPENDIX A – “INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES.”

The Obligated Group

As of the date of the issuance of the Bonds, the Corporation is the only member of an obligated group (the “Obligated Group”) established under the Master Indenture dated as of March 1, 2007 (the “Master Indenture”), between the Corporation and Wells Fargo Bank, National Association, as master trustee (in such capacity, the “Master Trustee”). Other entities may become members of the Obligated Group (each, a “Member”) in accordance with the procedures set forth in the Master Indenture. Each Member of the Obligated Group is jointly and severally obligated to pay when due the principal of, premium, if any, and interest on each Master Indenture Obligation issued under the Master Indenture, including Obligation No. 6 (as hereinafter defined), which will evidence and secure the loan of the proceeds of the Bonds by the Authority to the Corporation. For more information about the Corporation and its affiliates, see APPENDIX A – “INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES – GENERAL.”

Security for the Bonds

The Bonds will be payable from payments made by the Corporation under the Loan Agreement (the “Loan Repayments”), from payments made by the Members of the Obligated Group on Obligation No. 6, and from certain funds held under the Bond Indenture. As of the date of the issuance of the Bonds, the Corporation is the only Member of the Obligated Group. Pursuant to the Loan Agreement, the Corporation is required to make aggregate

* Preliminary, subject to change.

payments in an amount sufficient to enable the Authority to pay in full, when due, the principal of and premium, if any, and interest on the Bonds.

To secure the obligation of the Corporation to make payments under the Loan Agreement, the Corporation will deliver to the Bond Trustee its Master Indenture Obligation No. 6 (“Obligation No. 6”) issued pursuant to the Master Indenture, as supplemented and amended by the Supplemental Master Indenture for Obligation No. 6, dated as of _____ 1, 2016, between the Corporation and the Master Trustee (“Supplement No. 6”). The Master Indenture creates a “Credit Group” which consists of the Obligated Group Members, and the Designated Affiliates. Currently, the Corporation is the only Member of the Obligated Group and there are no Designated Affiliates. Pursuant to the Master Indenture, the Corporation and any future Members of the Obligated Group agree to make payments on Obligation No. 6 in amounts sufficient to pay, when due, the principal of and premium, if any, and interest on the Bonds. Each Member, if any additional Members are added in the future, is jointly and severally liable for payment of the Master Indenture Obligations issued under the Master Indenture, including Obligation No. 6. The Obligated Group will make payments on Obligation No. 6 directly to the Bond Trustee as the holder thereof. If any Designated Affiliate is added in the future, such Designated Affiliate will not be obligated to make any payments on any Master Indenture Obligations; however, they may be required to transfer funds to the Obligated Group Members in amounts necessary to make payments due on Master Indenture Obligations (as further set forth in the Master Indenture). Obligation No. 6 will entitle the Bond Trustee, as the holder thereof, to the benefit of the covenants, restrictions and other obligations imposed upon the Obligated Group under the Master Indenture. For information regarding the Master Indenture, see “SECURITY FOR THE BONDS – The Master Indenture” and APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS – MASTER INDENTURE.”

Subject to the provisions of the Master Indenture permitting application of the Gross Revenues (as defined in the Master Indenture) for the purposes and upon the terms and conditions set forth therein, the Corporation has pledged and granted a security interest (to the extent permitted by law) to the Master Trustee in the Gross Revenue Fund and all of the Gross Revenues of the Corporation to secure the required payments and the performance by the Members of the Obligated Group of their obligations under the Master Indenture. See APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS – MASTER INDENTURE – Particular Covenants of Each Member of the Obligated Group – *Gross Revenue Fund*.”

Additional Indebtedness

In certain circumstances, the Members of the Obligated Group may incur additional Indebtedness (including Guaranties) that may be evidenced or secured by Master Indenture Obligations issued pursuant to the Master Indenture. Members of the Obligated Group may also issue Master Indenture Obligations under the Master Indenture, which secure obligations other than Indebtedness. Additional Obligations will be equally and ratably secured with each other Master Indenture Obligation issued under the Master Indenture, including Obligation No. 6. See “SECURITY FOR THE BONDS – The Master Indenture” herein. For a description of the financial tests and limits on additional indebtedness in the Master Indenture, see APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS – MASTER INDENTURE – Particular Covenants of Each Member of the Obligated Group.”

Plan of Finance

The Corporation will use the proceeds of the Bonds to (i) to finance certain capital expenditures at facilities owned or operated by the Corporation (the “Project”), (ii) finance interest payable on the Bonds through _____, 20__ and (iii) pay costs incurred in connection with the issuance of the Bonds. For a further description of the financing plan, see “PLAN OF FINANCE” herein.

Continuing Disclosure

The Corporation, on behalf of itself and any other Members of the Obligated Group, will enter into an undertaking for the benefit of the Holders and Beneficial Owners of the Bonds to provide, or to have its dissemination agent provide, (i) certain annual and quarterly financial and operating data, and (ii) notices of the occurrence of certain enumerated events. See the information under the caption “CONTINUING DISCLOSURE.”

Bondholders' Risks

There are risks associated with the purchase of the Bonds. See "BONDHOLDERS' RISKS" for a discussion of certain of these risks.

THE AUTHORITY

General

The Authority is a public instrumentality of the State of California organized and existing under and by virtue of the Act, constituting Part 7.2 of Division 3 of Title 2 of the California Government Code (the "Act"). The intent of the State Legislature in enacting the Act was to provide financing to health facilities and to pass along to the consuming public all or part of any savings realized by a participating health institution (as defined in the Act) as a result of tax-exempt financing. Pursuant to the Act, the Authority is authorized to issue its revenue bonds for the purpose of financing (including reimbursing expenditures made or refinancing indebtedness incurred for such purpose) the construction, expansion, remodeling, renovation, furnishing, equipping or acquisition of health facilities operated by participating health institutions. The State Treasurer is authorized under the Act to sell such revenue bonds on behalf of the Authority.

Organization and Membership

The Act provides that the Authority shall consist of nine members, including the State Treasurer, who shall serve as Chairman, the Controller of the State, the Director of Finance of the State and two members appointed by each of the State Senate Rules Committee, the Speaker of the State Assembly and the Governor of the State (the "Governor"). The Chairman of the Authority appoints the Executive Director.

Outstanding Indebtedness of the Authority

As of [December 31, 2014] the Authority had issued obligations aggregating \$[31,761,047,017] in original principal amount and had outstanding obligations in the aggregate principal amount of \$[13,050,285,101].

THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds for the complete text thereof and to the Bond Indenture for all of the provisions relating to the Bonds. See also APPENDIX C – "SUMMARY OF PRINCIPAL DOCUMENTS." The discussion herein is qualified by such reference.

General

The Bonds are being issued pursuant to the Bond Indenture in the aggregate principal amount set forth on the cover of this Official Statement. The Bonds will be delivered in fully registered form without coupons. The Bonds will be dated the date of delivery and will be payable as to principal, subject to the redemption provisions set forth herein, on the dates and in the amounts as set forth on the inside cover page hereof. The Bonds will be transferable and exchangeable as set forth in the Bond Indenture and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only, in denominations of \$5,000 or any integral multiple thereof within a maturity. For so long as DTC or its nominee, Cede & Co., is the registered owner of any of the Bonds, (i) payments of the principal of and premium, if any, and interest on the Bonds will be made by the Bond Trustee directly to Cede & Co. for payment to DTC participants for subsequent disbursement to the beneficial owners, and (ii) all notices, including any notice of redemption, shall be mailed only to Cede & Co. as registered owner of the Bonds. See "BOOK-ENTRY SYSTEM."

The Bonds will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on February 1 and August 1 of each year (each, an “Interest Payment Date”), commencing February 1, 2017, to the person whose name appears on the bond registration books of the Bond Trustee as the Holder thereof as of the close of business on the Record Date (which will be the fifteenth day, whether or not a Business Day, of the calendar month preceding the calendar month in which an Interest Payment Date falls) for each Interest Payment Date (except with respect to interest in default, for which a special record date shall be established). Interest on the Bonds will be calculated on a 360-day year basis of twelve 30-day months. So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds are payable by wire transfer by the Bond Trustee to Cede & Co., as nominee for DTC, which, in turn, will remit such amounts to DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See “BOOK-ENTRY SYSTEM.”

If the book-entry system for the Bonds is ever discontinued, payment of interest on the Bonds will be made by check mailed by first-class mail on each Interest Payment Date to each Holder as of the Record Date for such Interest Payment Date at its address as it appears on the bond registration books maintained by the Bond Trustee or, at the written request of any Holder of at least one million dollars (\$1,000,000) in aggregate principal amount of Bonds, submitted to the Bond Trustee at least one Business Day prior to the Record Date for the applicable Interest Payment Date, by wire transfer in immediately available funds to an account within the United States designated by the Holder. Payment of the principal or redemption price of Bonds will then be payable upon presentation and surrender of the Bonds at the corporate trust office of the Bond Trustee.

Redemption of Bonds

Optional Redemption. The Bonds maturing on or after February 1, 20__, are subject to redemption prior to their stated maturity, at the option of the Corporation, which option shall be exercised upon Request of the Corporation given to the Bond Trustee, from any source of available funds, as a whole or in part on any date (in such amounts and maturities as may be specified by the Corporation) on or after February 1, 20__, by lot, at a Redemption Price equal to 100% of the principal amount of Bonds called for redemption, together with interest accrued thereon (if any) to the date fixed for redemption.

Extraordinary Optional Redemption. The Bonds are subject to extraordinary optional redemption prior to their stated maturity, at the option of the Corporation, which option shall be exercised upon Request of the Corporation given to the Bond Trustee, in whole or in part (in such amounts and maturities as may be specified by the Corporation), by lot, on any date, from hazard insurance or condemnation proceeds received with respect to the facilities of any of the Members and deposited in the Special Redemption Account, at a Redemption Price equal to the principal amount thereof, together with interest accrued thereon (if any) to the date fixed for redemption, without premium.

Optional Redemption in the Event of a Change in Law. The Bonds are subject to optional redemption prior to their stated maturity, at the option of the Corporation, which option shall be exercised upon Request of the Corporation given to the Bond Trustee, as a whole (but not in part) on any date at the principal amount thereof and interest accrued thereon (if any) to the date fixed for redemption, without premium, if as a result of any changes in the Constitution of the United States of America or any state, or legislative or administrative action or inaction by the United States of America or any state, or any agency or political subdivision thereof, or by reason of any judicial decisions there is a good faith determination by any Member that (a) the Master Indenture has become void or unenforceable or impossible to perform, or (b) unreasonable burdens or excessive liabilities have been imposed on such Member, including without limitation, federal, state or other ad valorem property, income or other taxes being then imposed which were not being imposed on the date of issuance of the Bonds.

Mandatory Redemption. The Bonds maturing on February 1, 20__ are subject to redemption prior to their stated maturity in part, by lot, from Mandatory Sinking Account Payments in the following amounts and on the following dates, at the principal amount thereof without premium:

Mandatory Sinking Account Payment Date (February 1)	Mandatory Sinking Account Payments
---	---------------------------------------

†

† Final Maturity

The Bonds maturing on February 1, 20__ are subject to redemption prior to their stated maturity in part, by lot, from Mandatory Sinking Account Payments in the following amounts and on the following dates, at the principal amount thereof without premium:

Mandatory Sinking Account Payment Date (February 1)	Mandatory Sinking Account Payments
---	---------------------------------------

†

† Final Maturity

Selection of Bonds for Redemption. Whenever provision is made in the Bond Indenture for the redemption of less than all of the Bonds or any given portion thereof, the Bond Trustee shall select the Bonds to be redeemed, from all Bonds subject to redemption or such given portion thereof not previously called for redemption, by lot; provided, however that in such instances as provided for herein where the Corporation is to specify the maturities of Bonds to be redeemed, the Bond Trustee shall redeem Bonds in accordance with any such specification.

Notice of Redemption of the Bonds. Notice of redemption shall be mailed by first-class mail by the Bond Trustee, not less than 20 days and not more than 60 days prior to the redemption date, to (i) the respective Holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Bond Trustee, and (ii) the Authority, the Securities Depository and the MSRB. Each notice of redemption shall state the date of such notice, the Date of Issuance, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Bond Trustee) the maturity (including CUSIP numbers, if any), and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. The Corporation may instruct the Bond Trustee to make any notice of optional redemption conditional upon receipt of funds for the redemption or any other conditions specified in such notice.

Any notice of optional redemption may be rescinded by written notice given by the Corporation to the Bond Trustee no later than five Business Days prior to the date specified for redemption. The Bond Trustee shall give

notice of such rescission as soon thereafter as practicable to the same parties and in the same manner as the notice of redemption was given pursuant to the Bond Indenture.

Failure by the Bond Trustee to give notice to the Authority or any one or more of the Securities Depository, the MSRB or Rating Agencies, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. Failure by the Bond Trustee to mail notice of redemption (or failure by any such Holder or Holders to receive said notice) to any one or more of the respective Holders of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

Effect of Redemption. Notice of redemption having been duly given as provided in the Bond Indenture, and any conditions set forth in such notice being satisfied and such notice not being rescinded, in each case as described above, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption being held by the Bond Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice, together with interest accrued thereon to the redemption date, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Bond Indenture, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the date fixed for redemption from funds held by the Bond Trustee for such payment.

Purchase in Lieu of Redemption

Each Holder or Beneficial Owner, by purchase and acceptance of any Bond, irrevocably grants to the Corporation the option to purchase such Bond at any time such Bond is subject to optional redemption as described in the Bond Indenture. Such Bond is to be purchased at a purchase price equal to the then applicable redemption price of such Bond. The Corporation shall deliver a Favorable Opinion of Bond Counsel to the Bond Trustee, and shall direct the Bond Trustee to provide notice of mandatory purchase, such notice to be provided, as and to the extent applicable, in accordance with the optional redemption provisions of the Bond Indenture and to select Bonds subject to mandatory purchase in the same manner as Bonds called for optional redemption pursuant to the Bond Indenture. On the date fixed for purchase of any Bond in lieu of redemption as described in this Section, the Corporation shall pay the purchase price of such Bond to the Bond Trustee in immediately available funds, and the Bond Trustee shall pay the same to the Holders of the Bonds being purchased against delivery thereof. No purchase of any Bond in lieu of redemption shall operate to extinguish the indebtedness of the Corporation evidenced by such Bond. No Holder or Beneficial Owner may elect to retain a Bond subject to mandatory purchase in lieu of redemption. The Corporation may exercise its option to purchase Bonds, in whole or in part.

SECURITY FOR THE BONDS

The following is a summary of certain provisions of the Bonds, the Loan Agreement, the Bond Indenture, the Master Indenture, and Obligation No. 6. Reference is made to the Bonds for the complete text thereof and to the Loan Agreement, the Bond Indenture, the Master Indenture, and Obligation No. 6 for the provisions thereof relating to the security for the Bonds.

General

In the Loan Agreement, the Corporation agrees to make the Loan Repayments to the Bond Trustee, which payments, in the aggregate, will be in amounts sufficient for the payment in full of all amounts payable with respect to the Bonds, including the total interest payable to the date of maturity of such Bonds or earlier redemption, the principal amount of such Bonds, any redemption premiums, and certain other fees and expenses (such other fees and expenses, the “Additional Payments”), less any amounts available for such payment as provided in the Bond Indenture. The Bonds are also payable from payments made on Obligation No. 6, as applicable, investment earnings on proceeds of the Bonds, amounts on deposit under the Bond Indenture and proceeds of insurance or condemnation awards, each in the manner and to the extent set forth in the Bond Indenture.

As security for its obligation to make the Loan Repayments, the Corporation, concurrently with the issuance of the Bonds will issue its Obligation No. 6, to the Bond Trustee pursuant to which the Corporation and any future Members of the Obligated Group agree to make payments to the Bond Trustee in amounts sufficient to pay, when due, the principal of and premium, if any, and interest on the Bonds. Obligation No. 6 will be secured by the pledge of Gross Revenues of the Obligated Group to the Master Trustee as described herein.

As of the date of issuance and delivery of the Bonds, the Corporation is the only Member of the Obligated Group under the Master Indenture. The Master Indenture creates a “Credit Group” which consists of the Obligated Group Members, and the Designated Affiliates. Currently, the Corporation is the only Member of the Obligated Group and there are no Designated Affiliates. Pursuant to the Master Indenture, the Corporation and any future Members of the Obligated Group agree to make payments on Obligation No. 6 in amounts sufficient to pay, when due, the principal of and premium, if any, and interest on the Bonds. Each Member, if any additional Members are added, is jointly and severally liable for payment of the Master Indenture Obligations issued under the Master Indenture, including Obligation No. 6. If any Designated Affiliate is added in the future, such Designated Affiliate will not be obligated to make any payments on any Master Indenture Obligations; however, they may be required to transfer funds to the Obligated Group Members in amounts necessary to make payments due on Master Indenture Obligations (as further set forth in the Master Indenture). Obligation No. 6 will entitle the Bond Trustee, as the holder thereof, to the benefit of the covenants, restrictions and other obligations imposed upon the Obligated Group under the Master Indenture. For further information regarding the Master Indenture, including membership in and withdrawal from the Obligated Group, see “The Master Indenture” below and APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS – MASTER INDENTURE.”

No Debt Service Reserve Fund

No debt service reserve fund will be established or funded in connection with the issuance of the Bonds.

The Master Indenture

The Master Indenture includes covenants that require Members of the Obligated Group to restrict certain actions, including incurring additional indebtedness. In determining whether the Corporation and future Members of the Obligated Group have satisfied such covenants and tests, the Master Indenture requires the Obligated Group to combine all Members,’ and in some cases any future Designated Affiliates,’ income and assets at any point of calculation in determining whether such covenants and tests are satisfied under the Master Indenture. See APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS – MASTER INDENTURE” including “- Membership in Obligated Group.”

Grant of Security Interest in Gross Revenues. Pursuant to the Master Indenture, the Corporation, as the sole Obligated Group Member, has agreed, to deposit, so long as any of the Master Indenture Obligations remain outstanding, all of its Gross Revenues (as defined in the Master Indenture) with a depository bank or banks in deposit accounts or securities accounts designated as the “Gross Revenue Fund,” which has been established and may be maintained in one or more accounts at such banking institution or securities intermediary designated in writing to the Master Trustee for such purpose. Subject to the provisions of the Master Indenture permitting application of the Gross Revenues for the purposes and upon the terms and conditions set forth therein, the Corporation has pledged and granted a security interest (to the extent permitted by law) to the Master Trustee in the Gross Revenue Fund and all of the Gross Revenues of the Corporation to secure the required payments and the performance by the Members of the Obligated Group of their obligations under the Master Indenture. See APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS – MASTER INDENTURE – Particular Covenants of Each Member of the Obligated Group – Gross Revenue Fund.” The Corporation has executed a deposit account control agreement with respect to the Gross Revenue Fund and filed Uniform Commercial Code financing statements and will execute and deliver such other documents and agreements (including, but not limited to, continuation statements and amendments to such Uniform Commercial Code financing statements) in order to maintain as perfected the security interest to the extent a security interest in the Gross Revenues and the Gross Revenue Fund can be perfected under the Uniform Commercial Code. Each future Member of the Obligated Group shall, as a condition of membership in the Obligated Group, take similar actions.

The security interest in Gross Revenues described above has been perfected to the extent, and only to the extent, that such security interest may be perfected under the Uniform Commercial Code of the State of California. The grant of a security interest in Gross Revenues may be subordinated to the interest and claims of others in several instances. See “SECURITY FOR THE BONDS – Security and Enforceability.”

Subject to compliance with the terms and provisions of the Master Indenture, Gross Revenues and the amounts on deposit in the Gross Revenue Fund may be used and withdrawn by the Corporation and any other Member of the Obligated Group for any lawful purpose, unless the Master Trustee has taken exclusive control of the Gross Revenue Fund upon the occurrence and continuation of a delinquency in the payment of Required Payments, as further described in the Master Indenture, and except as otherwise provided in the Master Indenture. For more information relating to the Gross Revenue Fund, see APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS – MASTER INDENTURE – Particular Covenants of Each Member of the Obligated Group – *Gross Revenue Fund*.”

Covenant Against Liens. Pursuant to the Master Indenture, each Member of the Obligated Group agrees that it will not create, assume or suffer to be created or permit the existence of any Lien upon any of its Property, except for Permitted Liens.

Permitted Liens include Liens on Property of the Obligated Group, including Liens which may be granted to secure additional Master Indenture Obligations and other indebtedness, provided that the Value of the Property that is encumbered is not more than 25% of the Value of all Property of the Credit Group Members. See the definition of “Permitted Liens” in APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS – Definitions of Certain Terms” and “– MASTER INDENTURE – Particular Covenants of Each Member of the Obligated Group – *Against Encumbrances*.”

Additional Indebtedness. Additional indebtedness on a parity with Master Indenture Obligations may be issued by the Corporation or any other Member for the purposes, upon the terms and subject to the conditions provided in the Master Indenture. Each Master Indenture Obligation will be the full and unlimited obligation of the issuing Member and each Member will jointly and severally guarantee the payment of any and all amounts payable under the Master Indenture Obligation. Subject to the conditions therein, the Master Indenture also permits the Corporation and any other Member to incur secured and unsecured indebtedness in addition to Master Indenture Obligations and to enter into Guarantees. See APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS – Definitions of Certain Terms” and “– MASTER INDENTURE – Particular Covenants of Each Member of the Obligated Group.”

Outstanding Indebtedness. Obligation No. 6 will be issued on a parity basis with all previous Master Indenture Obligations issued and outstanding under the Master Indenture. In addition to Obligation No. 6, the Master Indenture Obligations expected to be outstanding under the Master Indenture upon the issuance of Obligation No. 6 include (1) Obligation No. 2 issued to secure the obligations of the Corporation under the interest rate swap relating to the Series 2007 Bonds, (2) Obligation No. 3 issued to secure the obligations of the Corporation under the Loan Agreement related to the Santa Clara County Financing Authority Variable Rate Revenue Bonds (El Camino Hospital), Series 2009A (the “Series 2009A Bonds”), currently outstanding in the amount of \$[50,000,000], (3) Obligation No. 4 issued to secure the obligations of the Corporation under the reimbursement agreement with the credit facility provider relating to the letter of credit for the Series 2009A Bonds, and (4) Obligation No. 5 issued to secure the obligations of the Corporation under the Loan Agreement related to the California Health Facilities Financing Authority Revenue Bonds (El Camino Hospital), Series 2015 (the “Series 2015 Bonds”), currently outstanding the aggregate principal amount of \$[154,660,000]. See APPENDIX A – “INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES – SELECTED UTILIZATION AND FINANCIAL INFORMATION.”

Membership and Withdrawal from Obligated Group. Subject to the requirements of the Master Indenture, entities may be added to and may withdraw from the Obligated Group from time to time. For a description of requirements relating to entry into or withdrawal from the Obligated Group, see APPENDIX C – “SUMMARY OF

PRINCIPAL DOCUMENTS – MASTER INDENTURE – Membership in the Obligated Group” and “– Withdrawal from the Obligated Group.”

Designation of Designated Affiliates. The Master Indenture provides that the Credit Group Representative may designate an organization as a Designated Affiliate and that, after the Credit Group Representative so designates an organization as a Designated Affiliate, the Credit Group Representative may at any time withdraw such designation, in either case, without satisfying any financial or other conditions as long as no event of default, or an event which, with the passage of time or giving of notice, or both, would constitute an event of default, has occurred and is continuing under the Master Indenture or would result from the Credit Group Representative’s withdrawal of such designation. Accordingly, there can be no assurance that any future Designated Affiliates, if any, will continue to be so designated. There are currently no Designated Affiliates designated under the Master Indenture.

Additionally, the revenues and expenses of all Members of the Credit Group, that is, the Corporation, any future Obligated Group Members and any future Designated Affiliates, if any, will be combined for purposes of certain financial tests set forth in the Master Indenture. The operational and financial restrictions and contractual obligations of the Master Indenture apply directly only to Obligated Group Members. Each Obligated Group Member covenants to cause any Designated Affiliate that it controls to pay, loan or otherwise transfer to the Credit Group Representative such amounts as are necessary to enable the Obligated Group Members to comply with the provisions of the Master Indenture. The Master Indenture does not obligate any Designated Affiliate on any Master Indenture Obligation. Rather, the Master Indenture provides that each Master Indenture Obligation is a joint and several obligation of each Obligated Group Member and the full faith and credit of the Obligated Group are pledged for payment of each Master Indenture Obligation including such moneys as may, in accordance with law, be realized by liquidation or other drawing on all of the assets of the Credit Group, including such moneys as may be derived from Designated Affiliates. See APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS – MASTER INDENTURE.”

For as summary of certain additional covenants and provisions of the Master Indenture, see APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS – MASTER INDENTURE.”

Substitution of Obligation No. 6 Permitted. Under the circumstances described in the Bond Indenture, the Bond Trustee is required to exchange the related Master Indenture Obligation for a note or similar obligation (the “Replacement Obligation”) of a credit group that could be financially and operationally different from the Obligated Group, and the new credit group could have substantial debt outstanding that would rank on a parity with the Replacement Obligation. Such exchange could adversely affect the market price for and marketability of the Bonds. One of the conditions in the Bond Indenture to the substitution is that each rating agency then rating the Bonds must provide written confirmation that the replacement of Obligation No. 6 will not, by itself, result in a reduction in the then-current ratings on the Bonds. For a summary of the conditions that must be satisfied before a Replacement Obligation could be exchanged for Obligation No. 6, see APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS – BOND INDENTURE – Replacement of Obligation No. 6.”

Security and Enforceability

Enforceability of the Master Indenture, the Loan Agreement, and Obligation No. 6. The state of the insolvency, fraudulent conveyance and bankruptcy laws relating to the enforceability of guaranties or obligations issued by one corporation in favor of the creditors of another or the obligations of an Obligated Group Member to make debt service payments on behalf of an Obligated Group Member or the ability of a corporate parent to compel its affiliates or subsidiaries to make such payments is unsettled. The ability to enforce the Master Indenture and the Master Indenture Obligations against any Obligated Group Member that would be rendered insolvent thereby could be subject to challenge. In particular, such efforts by the Obligated Group may not be enforced under the Federal Bankruptcy Code or applicable state fraudulent transfer or conveyance statutes if the obligation to pay is incurred without “fair consideration” or “reasonably equivalent value” to the obligor-Member and if the incurrence of the obligation renders the Member insolvent. The standards for determining the fairness of consideration and the manner of determining insolvency are not clear and may vary under the Federal Bankruptcy Code, state fraudulent conveyance statutes and other statutes that may be applicable.

In addition a court could determine, in the event of a bankruptcy of a Member, that payments made on Obligation No. 6 by a bankrupt Member could constitute payments to or for the benefit of an insider, within the meaning of Section 547(b) of the Bankruptcy Code, which payments, if made within one year of the filing of the bankruptcy petition, might be recoverable by the bankruptcy court from the owners of the Bonds.

If a court were to find that a Member did not receive fair consideration or reasonably equivalent value for the incurrence of the indebtedness evidenced by Obligation No. 6 and such Member: (i) was insolvent; (ii) was rendered insolvent by such incurrence; (iii) was engaged in a business activity for which its remaining assets were unreasonably small; or (iv) intended (or believed) to incur, assume or issue, debt beyond its ability to pay, a court could determine to invalidate, the indebtedness represented by Obligation No. 6.

The joint and several obligation described herein of each Member of the Obligated Group to pay debt service on Obligation No. 6 may not be enforceable under any of the following circumstances:

(i) to the extent payments on Obligation No. 6 are requested to be made from assets of a Member which are donor-restricted or which are subject to a direct, express or charitable trust that does not permit the use of such assets for such payments;

(ii) if the purpose of the debt created and evidenced by Obligation No. 6 is not consistent with the charitable purposes of the Member from which such payment is requested or required, or if the debt was incurred or issued for the benefit of an entity other than a nonprofit corporation that is exempt from federal income taxes under sections 501(a) and 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code") and is not a "private foundation" as defined in section 509(a) of the Code;

(iii) to the extent payments on Obligation No. 6 would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by such Member; or

(iv) if and to the extent payments are requested to be made pursuant to any loan violating applicable usury laws.

These limitations on the enforceability of the joint and several obligations of the Members of the Obligated Group on Obligation No. 6 also apply to their obligations on all Master Indenture Obligations. If the obligation of a particular Member of the Obligated Group to make payment on an Master Indenture Obligation is not enforceable and payment is not made on such Master Indenture Obligation when due in full, then Events of Default will arise under the Master Indenture.

In addition, common law authority and authority under state statutes exists for the ability of courts in such states to terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purposes. Such court action may arise on the court's own motion or pursuant to a petition of the attorney general of such states or such other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

The legal right and practical ability of the Bond Trustee to enforce its rights and remedies against the Corporation under the Loan Agreement and related documents and of the Master Trustee to enforce its rights and remedies against Obligated Group Members under Obligation No. 6 may be limited by laws relating to bankruptcy, insolvency, reorganization, fraudulent conveyance or moratorium and by other similar laws affecting creditors' rights. In addition, the Bond Trustee's and the Master Trustee's ability to enforce such terms will depend upon the exercise of various remedies specified by such documents which may in many instances require judicial actions that are often subject to discretion and delay or that otherwise may not be readily available or may be limited.

The various legal opinions delivered concurrently with the issuance of the Bonds are qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings, policy and decisions affecting remedies and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights or the enforceability of certain remedies or document provisions.

For a further description of the provisions of the Bond Indenture, the Loan Agreement and the Master Indenture, including covenants that secure the Bonds, events of default, acceleration and remedies under the Master Indenture, see APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS.”

Perfection of a Security Interest. The Corporation as the sole Member of the Obligated Group has granted a security interest in the Gross Revenue Fund and all of the Gross Revenues of the Obligated Group (to the extent permitted by law) and has agreed to perfect the grant of a security interest in the Gross Revenue Fund to the extent, and only to the extent, that such security interest may be perfected under the Uniform Commercial Code. The grant of a security interest in Gross Revenues may be subordinated to the interest and claims of others in several instances. Some examples of cases of subordination of prior interests and claims are (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any federal statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction, and (v) federal or state bankruptcy laws that may affect the enforceability of the Master Indenture or grant of a security interest in Gross Revenues. In addition, it may not be possible to perfect a security interest in any manner whatsoever in certain types of Gross Revenues (e.g., gifts, donations, certain insurance proceeds and payments under the Medicare and Medicaid programs) prior to actual receipt by any Member.

Bankruptcy. In the event of bankruptcy of an Obligated Group Member, the rights and remedies of the Bondholders are subject to various provisions of the Federal Bankruptcy Code. If an Obligated Group Member were to file a petition in bankruptcy, payments made by that Obligated Group Member during the 90 day (or perhaps one-year) period immediately preceding the filing of such petition may be avoidable as preferential transfers to the extent such payments allow the recipients thereof to receive more than they would have received in the event of such Obligated Group Member's liquidation. Security interests and other liens granted to a Bond Trustee or the Master Trustee and perfected during such preference period also may be avoided as preferential transfers to the extent such security interest or other lien secures obligations that arose prior to the date of such perfection. Such a bankruptcy filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Obligated Group Member and its property and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over its property, as well as various other actions to enforce, maintain or enhance the rights of the Bond Trustee and the Master Trustee. If the bankruptcy court so ordered, the property of the Obligated Group Member, including accounts receivable and proceeds thereof, could be used for the financial rehabilitation of such Obligated Group Member despite any security interest of the Bond Trustee therein. The rights of the Bond Trustee and the Master Trustee to enforce their respective security interests and other liens could be delayed during the pendency of the rehabilitation proceeding.

Such Obligated Group Member could file a plan for the adjustment of its debts in any such proceeding, which plan could include provisions modifying or altering the rights of creditors generally or any class of them, secured or unsecured. The plan, when confirmed by a court, binds all creditors who had notice or knowledge of the plan and, with certain exceptions, discharges all claims against the debtor to the extent provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are conditions that the plan be feasible and that it shall have been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the class cast votes in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

In the event of bankruptcy of any Member, there is no assurance that certain covenants, including tax covenants, contained in the Loan Agreement and certain other documents would survive. Accordingly, a bankruptcy trustee could take action that would adversely affect the exclusion of interest on the Bonds from gross income of the Bondholders for federal income tax purposes.

The bankruptcy of a Designated Affiliate, if any, would not trigger an event of default under the Master Indenture, the Bond Indenture or the Loan Agreement, but the bankruptcy of a Designated Affiliate could have a material adverse effect on the Credit Group. If a Designated Affiliate were to file for bankruptcy and had no contractual obligation to make payments to the Credit Group Representative, neither the Credit Group Representative nor the Obligated Group Member that controls the Designated Affiliate would be able to file a claim in a bankruptcy proceeding involving the Designated Affiliate for the payment of any amounts due on the Master Indenture Obligations. The Master Trustee has no contractual rights against Designated Affiliates and would not be able to file such a claim whether or not a contract existed between the Obligated Group Member and the Designated Affiliate. In addition, in the event the Obligated Group Member that controls the Designated Affiliate were to become a debtor in a bankruptcy case, the Credit Group Representative or such Obligated Group Member that controls the Designated Affiliate, as debtor-in-possession, or a trustee in bankruptcy, may not be able to cause the Designated Affiliate to transfer funds to the Credit Group Representative or the trustee in bankruptcy.

Unsecured Debt. In addition, the obligations of the Corporation under the Loan Agreement and of the Corporation and any future Members under the Master Indenture are not secured by a lien on or security interest in any assets or revenues of the Members, other than the lien on Gross Revenues described under the caption “SECURITY FOR THE BONDS – The Master Indenture – *Grant of Security Interest in Gross Revenues*” above. Except with respect to the lien on Gross Revenues, in the event of a bankruptcy of the Corporation or any other future Members, Bondholders would be unsecured creditors and would be in an inferior position to any secured creditors and on a parity with all other unsecured creditors.

Limited Liability of the Authority

The Bonds shall not be deemed to constitute a debt or liability of the State of California or of any political subdivision thereof other than the Authority or a pledge of the faith and credit of the State of California or of any political subdivision thereof, but shall be payable solely from the funds therefor provided. Neither the State of California nor the Authority shall be obligated to pay the principal of the Bonds or the premium, if any, or the interest thereon except from Revenues and the other assets pledged under the Bond Indenture and neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or the premium, if any, or the interest on the Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State of California or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Authority has no taxing power.

BOOK-ENTRY SYSTEM

Information concerning The Depository Trust Company (“DTC”) and the Book-Entry System (defined below) has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Authority, the Underwriter, the Bond Trustee or the Corporation.

Bonds in Book-Entry Form

Beneficial ownership in the Bonds will be available to Beneficial Owners (as described below) only by or through DTC Participants via a book-entry system (the “Book-Entry System”) maintained by DTC. If the Bonds are taken out of the Book-Entry System and delivered to owners in physical form, the following discussion under “DTC and Its Participants” will not apply.

DTC and Its Participants

DTC, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of each maturity of the Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company of DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participants or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct Participants or Indirect Participants acting on behalf of Beneficial Owners. **BENEFICIAL OWNERS WILL NOT RECEIVE CERTIFICATES REPRESENTING THEIR OWNERSHIP INTERESTS IN THE BONDS, EXCEPT IN THE EVENT THAT USE OF THE BOOK-ENTRY SYSTEM FOR THE BONDS IS DISCONTINUED.**

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them. **THE AUTHORITY, THE CORPORATION AND THE BOND TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT OR INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS.**

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Bond Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, redemption proceeds and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Bond Trustee on payment dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Bond Trustee, the Corporation or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, redemption proceeds and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Trustee. Disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to any Bonds at any time by giving reasonable notice to the Authority and the Bond Trustee. Under such circumstances, in the event that a successor Securities Depository is not obtained, Bond certificates are required to be printed and delivered as described in the Bond Indenture.

The Authority may decide to discontinue use of the system of book-entry transfers of Bonds through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered as described in the Bond Indenture.

THE INFORMATION UNDER THIS CAPTION "BOOK-ENTRY SYSTEM" HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE AUTHORITY, THE CORPORATION, THE UNDERWRITER OR THE BOND TRUSTEE AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE OF THIS OFFICIAL STATEMENT.

The Bond Trustee, as long as a book-entry only system is used for the Bonds, will send any notice of redemption or other notices to owners of such Bonds only to DTC. Any failure of DTC to advise any Participant, or of any Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Bonds called for redemption or of any other action premised on such notice.

The Authority, the Corporation, the Underwriter and the Bond Trustee cannot and do not give any assurances that DTC will distribute to Participants, or that Participants or others will distribute to the Beneficial Owners, payments of principal of and interest and redemption premium, if any, on the Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. None of the Authority, the Corporation, the Underwriter or the Bond Trustee is responsible or liable for the failure of DTC or any Direct Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

PLAN OF FINANCE

General

The issuance of the Bonds and the loan of the proceeds thereof are for the benefit of the Corporation in order to (i) to finance the Project, (ii) finance interest payable on the Bonds through _____, 20__ and (iii) pay costs incurred in connection with the issuance of the Bonds.

The Project

A portion of the proceeds from the sale of the Bonds will be used by the Corporation to reimburse and finance costs of the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities of the Corporation, which includes upgrades and capital projects at El Camino Hospital – Mountain View, including constructing, furnishing and equipping of a new building for behavioral health services, a new integrated medical office building and associated new parking structure and expansion of the North Drive garage, additional construction and equipping of the central utility plant, and expanding, remodeling, renovation, furnishing and equipping of the Women’s Hospital. See also APPENDIX A – “INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES – HOSPITAL FACILITIES AND SERVICES – Capital Facilities Expenditures.”

ESTIMATED SOURCES AND USES OF FUNDS*

The proceeds to be received from the sale of the Bonds will be applied approximately as set forth below:

Sources of Funds:

Bond Proceeds Par Amount	\$[PAR]
Original Issue Premium	
Total Sources	<hr/> \$

Uses of Funds:

Project Costs	\$
Capitalized Interest ⁽¹⁾	
Costs of Issuance ⁽²⁾	
Total Uses of Funds	<hr/> \$

⁽¹⁾ Interest payable on the Bonds through _____, 20__.

⁽²⁾ Includes legal, printing, rating agency, accounting, Bond Trustee, Authority and financial advisor fees, underwriting discount and other miscellaneous costs of issuance.

[* Preliminary, subject to change.]

[BDV Note: preference to complete table and mark as preliminary or to leave blank in POS (last deal it was completed).]

DEBT SERVICE SCHEDULE

The amounts required in each fiscal year ending June 30, for the payment of principal (at maturity or by mandatory redemption) and interest on the Bonds and the 2009A Bonds are as follows:

Fiscal Year (ending June 30)	The Bonds*		Series 2009A Bonds ¹	Series 2015 Bonds	Total Aggregate Debt Service
	Principal*	Interest* ¹			
2016	--	--	--	--	--
2017	\$	\$	\$	\$	\$
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					
2046					
Total	\$	\$	\$	\$	\$

* Preliminary, subject to change.

¹ [Assumes interest on the Bonds bear interest at market interest rates.] Assumes interest on the Series 2009A Bonds is payable at a rate of 3.204% which is the swap rate. [BDV Note: Is preference to leave Bonds columns blank in POS or complete and mark preliminary? In last deal table completed in POS.]

Totals in table may not foot due to rounding.

See APPENDIX A – “INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES – SELECTED UTILIZATION AND FINANCIAL INFORMATION.”

BONDHOLDERS' RISKS

The purchase of the Bonds involves investment risks that are discussed throughout this Official Statement. Each prospective purchaser of the Bonds should evaluate all of the information presented in this Official Statement. This section on Bondholders' Risks focuses primarily on the general risks associated with hospital or health system operations; whereas APPENDIX A describes the Corporation specifically. These should be read together.

Set forth in Bondholders' Risks is a limited discussion of certain of the risks affecting the Corporation and the ability of the Corporation and any future Obligated Group Members to provide for payment of the Bonds. Investors should recognize that the discussion in Bondholders' Risks does not cover all such risks, that payment provisions and regulations and restrictions change frequently and that additional material payment limitations and regulations and restrictions may be created, implemented or expanded while the Bonds are outstanding. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following special factors along with all other information described elsewhere or incorporated by reference in this Official Statement, including the Appendices hereto, in evaluating the Bonds. The operations and financial condition of the Corporation, and any future Obligated Group Members may be affected by factors other than those described in this section on Bondholders' risks and elsewhere in this Official Statement. No assurance can be given as to the nature of such factors or the potential effects thereof on the Obligated Group.

General

Except as noted under "SECURITY FOR THE BONDS," the Bonds are payable solely from Loan Repayments made pursuant to the Loan Agreement and funds provided under Obligation No. 6 and the Bond Indenture. No representation or assurance can be made that revenues will be realized by the Corporation or any future Obligated Group Member in amounts sufficient to make the Loan Repayments or payments under Obligation No. 6 and hence to pay principal of and interest on the Bonds.

The Corporation is subject to a wide variety of federal and state regulatory actions and legislative and policy changes by those governmental and private agencies that administer Medicare, Medicaid and other payors and is subject to actions by, among others, the Public Employment Relations Board and the National Labor Relations Board. The Joint Commission, the Centers for Medicare & Medicaid Services ("CMS") of the U.S. Department of Health and Human Services ("DHHS"), the Attorney General of the State of California, and other federal, state and local government agencies. The future financial condition of the Corporation could be adversely affected by, among other things, changes in the method, timing and amount of payments to the Corporation by governmental and nongovernmental payors, the financial viability of these payors, increased competition from other health care entities, the costs associated with responding to governmental audits, inquiries and investigations, demand for health care, other forms of care or treatment, changes in the methods by which employers purchase health care for employees, capability of management, changes in the structure of how health care is delivered and paid for (e.g., accountable care organizations, value based purchasing, bundled payments and other health care reform payment mechanisms, including a "single-payor" system), and future changes in the economy, demographic changes, availability of physicians, nurses and other health care professionals, malpractice claims and other litigation. These factors and others may adversely affect payment by the Corporation pursuant to the Loan Agreement and/or by the Corporation and any future Members of the Obligated Group pursuant to Obligation No. 6 and, consequently, on the Bonds. In addition, the tax-exempt status of the Corporation could be adversely affected by, among other things, an adverse determination by a governmental entity, noncompliance with governmental regulations or tax laws, or legislative changes, including changes resulting from current health care reform legislation or initiatives. Loss of tax-exempt status by the Corporation could adversely affect the tax-exempt treatment of interest on the Bonds. See "Tax-Exempt Status and Other Tax Matters" below.

The following discussion of risk factors is not, and is not intended to be, exhaustive.

Significant Risk Areas Summarized

Certain of the primary risks associated with the operations of hospitals or health systems are briefly summarized in general terms below and are explained in greater detail in subsequent sections. The occurrence of one or more of these risks could have a material adverse effect on the financial condition and results of operations of the Corporation and, in turn, the ability of the Corporation to make payments under the Loan Agreement and the Corporation or any future Members of the Obligated Group pursuant to Obligation No. 6. For discussions of the applicability of certain of these risks to the Corporation, see APPENDIX A – “INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES.”

Federal Health Care Reform and Deficit Reduction. The Patient Protection and Affordable Care Act (“ACA”) was enacted in March 2010. The constitutionality of the ACA has been challenged in courts around the country. In June 2012, the U.S. Supreme Court upheld most provisions of the ACA, including an “individual mandate” (which began in 2014, generally requiring individuals to have a certain amount of health insurance coverage or pay a penalty), while limiting the power of the federal government to penalize states for refusing to expand Medicaid. In June 2015, the U.S. Supreme Court in its decision in *King v. Burwell* upheld Treasury Regulation 26 C.F.R. § 1.36B-2(a)(1), issued under the ACA, stating that health insurance exchange purchasers can receive tax-credit subsidies, regardless of whether the purchase is made through a federal or state-operated exchange. The ACA addresses almost all aspects of hospital and provider operations and health care delivery, and has changed and is changing how health care services are covered, delivered, and reimbursed. These changes have and are expected to continue to result in new payment models with the risk of lower health care provider reimbursement from Medicare, utilization changes, increased government enforcement and the necessity for health care providers to assess, and potentially alter, their business strategy and practices, among other consequences. While many providers will receive reduced payments for care, millions of previously uninsured Americans may have coverage. “Health insurance exchanges” could fundamentally alter the health insurance market and negatively impact health care providers by e.g. enabling insurers to aggressively negotiate rates. Federal deficit reduction efforts will likely curb federal Medicare and Medicaid spending further to the detriment of hospitals, physicians and other health care providers. From time to time there may be legislative or judicial efforts to repeal or substantially modify provisions of the ACA. See “Federal Budget Cuts” and “Health Care Reform” below.

General Economic Conditions, Bad Debt, Indigent Care and Investment Performance. Health care providers are economically influenced by the environment in which they operate. Any national, regional or local economic difficulties may constrain corporate and personal spending, limit the availability of credit and increase the national debt and any federal and state government deficits. To the extent that (1) employers reduce their workforces, (2) unemployment rates are high, (3) employers reduce their budgets for employee health care coverage or (4) private and public insurers seek to reduce payments to health care providers or curb utilization of health care services, health care providers may experience decreases in insured patient volume, decreases in demands for services, and reductions in payments for services. In addition, to the extent that state, county or city governments are unable to provide a safety net of medical services, pressure is applied to local health care providers to increase free care. Furthermore, economic downturns and lower funding of federal Medicare and state Medicaid and other state health care programs may increase the number of patients who are unable to pay for their medical and hospital services. These conditions may give rise to increases in health care providers’ uncollectible accounts, or “bad debts,” uninsured discounts and charity care and, consequently, to reductions in operating income. Declines in investment portfolio values may reduce or eliminate non-operating revenues. Investment losses (even if unrealized) may trigger debt covenant violations and may jeopardize hospitals’ economic security. Losses in pension and other postretirement benefit funds may result in increased funding requirements for hospitals and health systems. Potential failure of lenders, insurers or vendors may negatively impact the results of operations and the overall financial condition of health care providers. Philanthropic support may also decrease or be delayed. These factors may have a material adverse impact on hospitals, including the Corporation, and health systems. For a discussion of the Corporation’s results of operations and investments and investment performance, see APPENDIX A – “INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES.”

Nonprofit Health Care Environment. The significant tax benefits received by nonprofit, tax-exempt hospitals have increasingly caused the business practices of such hospitals (including billing and collection, charity care and executive composition) to be subject to scrutiny by public officials and the press, and to political and legal

challenges of the ongoing qualification of such organizations for tax-exempt status. Multiple governmental authorities, including the California State Attorney General, the Internal Revenue Service (the “IRS”), Congress, and state legislatures have held hearings and carried out audits regarding the conduct of tax-exempt organizations, including tax-exempt hospitals. Citizen organizations, such as labor unions and patient advocates, have also focused public attention on the activities of tax-exempt hospitals and health systems and raised questions about their practices. The IRS imposes certain additional reporting requirements on tax-exempt hospitals and health systems, including through Schedule H, Schedule J and Schedule K of the Form 990. Proposals to increase the regulatory requirements for nonprofit hospitals’ retention of tax-exempt status, such as by establishing a minimum level of charity care, have also been introduced repeatedly in Congress. These challenges and examinations, and any resulting legislation, regulations, judgments or penalties, could materially change the operating environment for nonprofit, tax-exempt providers and have a material adverse effect on the Corporation. Significant changes in the obligations of nonprofit, tax-exempt hospitals and challenges to or loss of the tax-exempt status of nonprofit hospitals generally, or the Corporation in particular, could have a material adverse effect on the Corporation. See “– Tax-Exempt Status and Other Tax Matters – Maintenance of Tax-Exempt Status of Interest on the Bonds” below.

Capital Needs vs. Capital Capacity. Hospital and other health care operations are capital intensive. Regulation, technology and expectations of physicians and patients require constant and often significant capital investment. In California, seismic safety standards mandated by the State may require that many hospital facilities be substantially modified, replaced or closed. Nearly all hospitals in California are affected. Estimated construction costs are substantial and actual costs of compliance may exceed estimates. Total capital needs may exceed capital capacity. Furthermore, capital capacity of hospitals and health systems may be reduced as a result of any credit market dislocations.

Reliance on Medicare. Inpatient hospitals receive a significant portion of their revenues from the federal Medicare program and future payment restraints are predicted. Recent, as well as future, changes in the underlying law and regulations, payment policy and timing of payment, create uncertainty and could have a material adverse impact on hospitals’ payment streams from Medicare. When health care and hospital spending is reported to be increasing faster than the rate of general inflation, Congress and/or CMS may take action in the future to further decrease or restrain Medicare outlays for hospitals and other providers.

Rate Pressure from Insurers and Major Purchasers. Certain health care markets, including many communities in California, are strongly affected by large health insurers and, in some cases, major purchasers of health services. In those areas, health insurers may have significant influence over the rates, utilization and competition of hospitals and other health care providers. Rate pressure imposed by health insurers or other major purchasers, including managed care payors, may have a material adverse impact on hospitals and other health care providers, particularly if major purchasers put increasing pressure on payors to restrain rate increases. Business failures by health insurers also could have a material adverse impact on contracted hospitals and other health care providers in the form of payment shortfalls or delays, and continuing obligations to care for managed care patients without receiving payment. In addition, disputes with non-contracted payors may result in an inability to collect billed charges from these payors.

Government “Fraud” Enforcement. “Fraud” in government funded health care programs is a significant concern of federal and state regulatory agencies overseeing health care programs, and is one of the federal government’s prime law enforcement priorities. The federal government and, to a lesser degree, state governments impose a wide variety of extraordinarily complex and technical requirements intended to prevent over-utilization based on economic inducements, misallocation of expenses, overcharging and other forms of “fraud” in the Medicare and Medicaid programs, as well as other state and federally-funded health care programs. This body of regulation affects a broad spectrum of hospital and other health care provider commercial activity, including billing, accounting, recordkeeping, medical staff oversight, physician contracting and recruiting, cost allocation, clinical trials, discounts and other functions and transactions.

Violations and alleged violations may be deliberate, but also frequently occur as a result of mistake in circumstances where management is unaware of the conduct in question, or where the individual participants do not know that their conduct may violate the law. Violations may occur and be prosecuted in circumstances that do not

have the traditional elements of fraud, and enforcement actions may extend to conduct that occurred in the past. Violations carry significant sanctions. The government periodically conducts widespread investigations covering various categories of services, or certain accounting or billing practices.

Violations and Sanctions. The government and/or private “whistleblowers” often pursue aggressive investigative and enforcement actions. The government has a wide array of civil, criminal, monetary and other penalties, including suspending essential hospital and other health care provider payments from the Medicare or Medicaid programs, or exclusion from those programs. Aggressive investigation tactics, negative publicity and threatened penalties can be, and often are, used to force health care providers to enter into monetary settlements in exchange for releases of liability for past conduct, as well as agreements imposing prospective restrictions and/or mandated compliance requirements on health care providers. Such negotiated settlement terms may have a materially adverse impact on hospital and other health care provider operations, financial condition, results of operations and reputation. Multi-million dollar fines and settlements for alleged intentional misconduct, fraud or false claims are not uncommon in the health care industry. These risks are generally uninsured. Government enforcement and private whistleblower suits may increase in the hospital and health care sector. Many hospital and other health care provider systems are likely to be adversely impacted by actions or claims of this kind.

Personnel Shortages. From time to time, shortages of physicians and nursing and other technical personnel occur, which may impact hospitals and health care systems. Various studies have predicted that physician and nursing shortages will become more acute over time, as practitioners retire and patient volume exceeds the growth in the number of new professionals. As reimbursement amounts are reduced to health care facilities and organizations that employ or contract with physicians, nurses and other health care professionals, pressure to control and possibly reduce wage and benefit costs may further strain the supply of those professionals. In California, regulation of nurse staffing ratios can intensify the potential shortage of nursing personnel. In addition, shortages of other professional and technical staff such as pharmacists, therapists, laboratory technicians, billing coders and others may occur or worsen. A new influx of patients with insurance coverage, as a result of health care reform initiatives, may exacerbate personnel shortage issues. Hospital operations, patient and physician satisfaction, financial condition and future growth could be negatively affected by physician and nursing and other technical personnel shortages, resulting in material adverse impacts on hospitals and health care systems.

Technical and Clinical Developments. New clinical techniques and technology, as well as new pharmaceutical and genetic developments and products, may alter the course of medical diagnosis and treatment in ways that are currently unanticipated, and that may dramatically change medical and health care, including hospital care. These developments could result in higher health care costs, reductions in patient populations, lower utilization of hospital services and new sources of competition for hospitals.

Costs and Restrictions from Governmental Regulation. Nearly every aspect of hospital operations and health care delivery is regulated, in some cases by multiple agencies of government. The level and complexity of regulation and compliance audits appear to be increasing, imposing greater operational limitations, enforcement and liability risks, and significant and sometimes unanticipated costs.

Proliferation of Competition. Hospitals increasingly face competition from a wide variety of sources, including specialty providers of care and ambulatory care facilities. This competition may cause hospitals to lose essential inpatient or outpatient market share. Competition may be focused on services or payor classifications for which hospitals realize their highest margins, thus negatively affecting programs that are economically important to hospitals. Specialty hospitals may attract specialists as investors and may seek to treat only profitable classifications of patients, leaving full-service hospitals with higher acuity and/or lower paying patient populations. These sources of competition may have a material adverse impact on hospitals, particularly where a group of a hospital’s principal physician admitters may curtail their use of a hospital service in favor of competing facilities.

Increasing Consumer Choice. Hospitals and other health care providers face increased pressure to operate transparently and make available information about the cost and quality of services. Consumers and payors accessing cost and quality information accumulated on various data bases may shift business among providers or make different health care choices based on such information, which may lead to a loss of business.

Labor Costs and Disruption. The delivery of health care services is labor intensive. Labor costs, including salary, benefits and other liabilities associated with the workforce, have significant impacts on hospital and health care provider operations and financial condition. Hospital and health care employees are increasingly organized in collective bargaining units and may be involved in work actions of various kinds, including work stoppages and strikes. Overall costs of the hospital workforce are high, and turnover is high. Pressure to recruit, train and retain qualified employees is expected to accelerate. These factors may materially increase hospital costs of operation. At the same time, health care organizations will be under increasing pressure to reduce the cost of delivering care to patients, including the cost of salaries and benefits, in order to compete in a transparent price market. Workforce disruption may negatively impact hospital revenues and reputation. See APPENDIX A – “INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES – OTHER INFORMATION – Employees” for a list of the labor organizations that currently represent the Corporation’s employees.

State Medicaid Programs. State Medicaid (known as “Medi-Cal” in California) and other state health care programs are an important payor source for many hospitals and are likely to become a proportionately larger source of revenue as federal health care reform is implemented, expanding Medicaid coverage, in those states that choose to expand Medicaid, which includes California, to significant numbers of uninsured Americans. These programs often pay hospitals and physicians at levels that are below the actual cost of the care provided. As Medi-Cal and other State of California health care programs are partially funded by the State of California, the financial condition of the State of California may result in lower funding levels and/or payment delays in the future. These reductions and/or delays could have a material adverse impact on hospitals, including the Corporation, and other health care providers.

Medical Liability Litigation and Insurance. Medical liability litigation is subject to public policy determinations and legal and procedural rules that may be altered from time to time, with the result that the frequency and cost of such litigation, and resultant liabilities or insurance costs, may increase in the future. Hospitals and health systems may be affected by negative financial and liability impacts on physicians and their medical staffs. Costs of insurance, including self-insurance, may increase dramatically.

Facility Damage. Hospitals and health systems are highly dependent on the condition and functionality of their physical facilities. Damage from earthquakes, floods, fires, other natural causes, deliberate acts of destruction, or various facilities system failures may have a material adverse impact on operations, financial conditions and results of operations. See also “Other Risk Factors – Earthquakes” and “– Compliance with Seismic Standards.”

Nonprofit Health Care Environment

The tax-exempt status of nonprofit hospitals and other health care organizations is the subject of increasing regulatory and legislative threats. As a nonprofit tax-exempt organization, the Corporation is subject to federal, state and local laws, regulations, rulings and court decisions relating to its organization and operation, including its operation for charitable purposes. At the same time, the Corporation conducts complex business transactions and is a major employer in its geographic area. There can often be a tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of a complex health care organization. Hospitals or other health care providers may be forced to forgo otherwise favorable opportunities for certain joint ventures, recruitment and other arrangements in order to maintain their tax-exempt status.

The operations and practices of nonprofit, tax-exempt health care organizations are routinely challenged or criticized for inconsistency or inadequate compliance with the regulatory requirements for, and societal expectations of, nonprofit tax-exempt organizations. These challenges, in some cases, are broader than concerns about compliance with federal and state statutes and regulations, such as Medicare and Medicaid compliance, and instead in many cases are examinations of core business practices of the health care organizations. A common theme of these challenges is that nonprofit health care organizations may not confer community benefits that justify the benefit received from their tax-exempt status. Areas that have come under examination have included pricing practices, billing and collection practices, charitable care, methods of providing and reporting community benefit, executive compensation, exemption of property from real property taxation, private use of facilities financed with tax-exempt bonds and others. These challenges and criticisms have come from a variety of sources, including state attorneys general, the IRS, local and state tax authorities, labor unions, Congress, state legislatures and patients, and in a

variety of forums, including hearings, audits and litigation. The challenges and examinations, and any resulting legislation, regulations, judgments or penalties, could have a material adverse effect on the Corporation. These challenges or examinations include the following, among others:

Congressional Action. Senate and House committees have conducted several nationwide investigations of hospital billing and collection practices, charity care and community benefits, and prices charged to uninsured patients and have considered reforms to the nonprofit sector, including proposed reform in the area of tax-exempt health care organizations. See “– IRS Examination of Compensation Practices and Community Benefit” below. It is uncertain whether any of these committees will pursue further investigations or whether Congress will adopt legislative changes negatively impacting tax-exempt organizations generally or tax-exempt hospitals in particular. See “Tax-Exempt Status and Other Tax Matters — Maintenance of the Tax-Exempt Status of the Corporation” below.

The ACA includes additional requirements for tax-exempt hospitals related to hospital financial assistance policies, community health needs assessments, restrictions on hospital charges and collection practices and new disclosure and reporting requirements (which include IRS review of hospitals’ community benefits activities at least every three years).

Tax-Exempt Bond Examinations. IRS officials have indicated that more resources will be invested in audits of tax-exempt bonds in the charitable organization sector with specific review of private use. A schedule to the revised Form 990 return (Schedule K), effective for the 2009 tax year and thereafter, is intended to address what the IRS believes is significant noncompliance with recordkeeping and record retention requirements for tax-exempt bonds. Schedule K also requires tax-exempt organizations to report on the investment and use of tax-exempt bond proceeds to address IRS concerns regarding compliance with arbitrage rebate requirements and the private use of bond-financed facilities.

IRS Examination of Compensation Practices and Community Benefit. The IRS has been historically concerned about executive compensation practices of tax-exempt hospitals. In February 2009, the IRS issued its Hospital Compliance Project Final Report (the “IRS Final Report”) that examined tax-exempt organizations’ practices and procedures with regard to compensation and benefits paid to their officers and other defined “insiders.” The IRS Final Report indicated that the IRS will (1) continue to heavily scrutinize executive compensation arrangements, practices and procedures of tax-exempt hospitals and other tax-exempt organizations, and (2) in certain circumstances, may conduct further investigations or impose fines on tax-exempt organizations.

The IRS has also undertaken a community benefit initiative directed at hospitals. The IRS Final Report determined that the reporting of community benefit by nonprofit hospitals varied widely, both as to types of programs and expenditures classified as community benefit and the measurement of community benefits. As a result, the IRS issued the revised Form 990 that includes Schedule H which is designed to provide uniformity regarding types of programs and expenditures reported as community benefit by nonprofit hospitals. As the IRS collects and reviews information from hospitals about the level and types of community benefit provided, the IRS may issue a more stringent interpretation of community benefit. Findings from Schedule H reports may also revive proposals in Congressional committees which, from time to time, have been made to codify the requirements for hospitals’ tax-exempt status, including requirements to provide minimum levels of charity care. Tax-exempt organizations must also complete Schedule J, to Form 990 which requires reporting of compensation information for the organizations’ officers, directors, trustees, key employees, and other highly compensated employees. Additionally, the ACA (as defined herein) contains new requirements for nonprofit hospitals in order to maintain their tax-exempt status. See “–Tax-Exempt Status and Other Tax Matters” below.

Litigation Relating to Billing and Collection Practices. Lawsuits have been filed in both federal and state courts alleging, among other things, that hospitals have failed to fulfill their obligations to provide charity care to uninsured patients and have overcharged uninsured patients. Other cases have alleged that charging patients more for services furnished in a hospital based setting is a wrongful or deceptive practice. Some of these cases have since been dismissed by the courts and some hospitals and health systems have entered into substantial settlements. Cases are pending in various courts around the country and others could be filed.

California Attorney General. California nonprofit public benefit corporations, including the Corporation, are subject to oversight and examination by the California Attorney General to ensure their charitable purposes are being carried out, that their fundraising and investment activities comply with California law and that the terms of charitable gifts are followed.

Financial Assistance and Charity Care. California law requires hospitals to maintain written policies about discount payment and charity care and provide copies of such policies to patients and OSHPD. California law also requires hospitals to follow specific billing and collection procedures and communicate proactively through the entire cycle to patients on the options available to them within the policies. The Corporation has adopted and maintains such policies.

Revisions to California's laws governing hospital's charity care and fair pricing policies went into effect on January 1, 2015, imposing additional duties on hospitals in connection with services for "financially qualified patients" (i.e., self-pay patients and patients with high medical costs). The new law changes the definition of a person with high medical costs to include those who have third-party coverage and requires hospitals to agree to a default "reasonable payment plan" not to exceed 10% of the patient's income. Noncompliance with the law may be the basis for the imposition of penalties by the California Department of Public Health.

Indigent Care. Tax-exempt health care providers often treat large numbers of indigent patients who are unable to pay in full for their medical care. Hospitals and health care providers may be susceptible to economic and political changes that could increase the number of indigents or their responsibility for caring for this population. General economic conditions may affect the number of employed individuals who have health coverage and affect the ability of those individuals to pay for their health care. Similarly, changes in governmental policy, which may result in coverage exclusions under local, county, state and federal health care programs (including Medicare and Medicaid), may increase the frequency and severity of indigent treatment by such hospitals and other providers. It is also possible that future legislation could require tax-exempt hospitals and other providers maintain minimum levels of indigent care as a condition to federal income tax exemption or exemption from certain state or local taxes.

Challenges to Real Property Tax Exemptions. The real property tax exemptions afforded to certain nonprofit health care providers by state and local taxing authorities have been challenged on the grounds that the health care providers were not engaged in sufficient charitable activities. These challenges have been based on a variety of grounds, including allegations of aggressive billing and collection practices, excessive financial margins and operations that closely resemble for-profit businesses.

Future Nonprofit Legislation. Legislative proposals which could have an adverse effect on the Corporation include: (i) any changes in the taxation of nonprofit corporations or in the scope of their exemption from income or property taxes; (ii) limitations on the amount or availability of tax-exempt financing for corporations recognized as tax-exempt under Section 501(c)(3) of the Code; (iii) regulatory limitations affecting the Corporation's ability to undertake capital projects or develop new services; (iv) a requirement that nonprofit health care institutions pay real estate property tax on the same basis as for-profit entities; (v) mandating certain levels of free or substantially reduced care that must be provided to low income uninsured and underinsured populations; and (vi) placing ceilings on executive compensation of nonprofit corporations.

Legislative bodies have considered proposed legislation on the charity care standards that nonprofit, charitable hospitals must meet to maintain their federal income tax-exempt status under the Code and legislation mandating nonprofit, charitable hospitals to have an open-door policy toward Medicare and Medicaid patients as well as to offer, in a non-discriminatory manner, qualified charity care and community benefits. Excise tax penalties on nonprofit, charitable hospitals that violate these charity care and community benefit requirements could be imposed or their tax-exempt status under the Code could be revoked. As described above, because of the complexity of health reform generally, additional legislation is likely to be considered and enacted over time beyond the ACA. The scope and effect of legislation, if any, which may be adopted at the federal or state levels with respect to charity care of nonprofit hospitals cannot be predicted. The effect on the nonprofit health care sector or the Corporation of any such legislation, if enacted, cannot be determined at this time.

The foregoing are some examples of the challenges and examinations facing nonprofit health care organizations in general. They are indicative of a greater scrutiny of the billing, collection and other business practices of these organizations and may indicate an increasingly difficult operating environment for hospitals and health care organizations. The challenges and examinations, and any resulting legislation, regulations, judgments, or penalties, could have a material adverse effect on hospitals and health care providers, including the Corporation, and in turn on the ability of the Corporation to make payments under the Loan Agreement and the Corporation or any future Obligated Group Member to make payments on Obligation No. 6.

Federal Budget Cuts

The American Taxpayer Relief Act of 2012 (“ATRA”) postponed the commencement of scheduled reductions in the federal budget for fiscal years 2012-2021 until March 1, 2013. On March 1, 2013, the Office of Management and Budget issued a report to Congress detailing the effects of this reduction to be a 2% Medicare spending reduction. CMS confirmed that the 2% reduction to Medicare providers and insurers was for services provided after April 1, 2013. ATRA significantly affects hospital Medicare reimbursement in that it requires the Medicare program to recoup funds from hospitals based on changes in documentation and coding that have increased Medicare inpatient prospective payment system (“IPPS”) payments but that do not represent real increases in the intensity of services provided to patients. In the final IPPS regulations for federal fiscal year 2014, CMS stated that it intended to phase in this recoupment over time, starting with a 0.8% reduction in the Medicare standardized amount for 2014. The fiscal year 2015 IPPS final rule reduced standardized amounts by a second 0.8% installment, for a cumulative reduction of 1.6% for fiscal year 2015. The fiscal year 2016 IPPS final rule reduced standardized amounts by an additional 0.8% for a cumulative reduction of 2.4%. However, the IPPS proposed rule for fiscal year 2017 would include an increase in the standardized amount by approximately 0.8% to offset the effects of the prior reductions. No assurance can be given that the increase in the standardized amount as proposed will be included in the fiscal year IPPS final rule.

In December 2013, the Bipartisan Budget Act of 2013 (“BBA 2013”) was enacted, which among other actions included restructuring of Medicaid disproportionate share payments (“DSH payments”) reductions by delaying the fiscal year 2014 DSH payment cuts until fiscal year 2016, but increasing the overall level of reductions and extending cuts through fiscal year 2023. The Medicare Access and CHIP Reauthorization Act of 2015 further delays the DSH payment cuts until fiscal year 2018, while extending cuts through fiscal year 2025.

BBA 2013 extended the 2% reduction to Medicare providers and insurers at least through March 31, 2024, subject to additional Congressional action. Certain commercial Medicare Advantage plans are passing this reduction on to health care providers. On November 2, 2015, the President signed into law the Bipartisan Budget Act of 2015 (“BBA 2015”), increasing the discretionary spending caps imposed by the BCA for fiscal years 2016 and 2017 and authorizing \$80 billion in increased spending over the two years. BBA 2015 also extended the 2% reduction to Medicare providers and insurers for another year, to at least March 31, 2025, and suspended the limit on the federal government’s debt until March 2017.

Absent further Congressional action, these automatic spending cuts will become permanent. Because Congress may make changes to the budget in the future, it is impossible to predict the impact any spending cuts may have upon the Corporation. Similarly, it is impossible to predict whether any automatic reductions to Medicare may be triggered in lieu of other spending cuts that may be proposed by Congress. If and to the extent Medicare and/or Medicaid spending is reduced under either scenario, this may have a material adverse effect upon the financial condition of hospitals and other health care providers, including the Corporation. Ultimately, these reductions or alternatives could have a disproportionate impact on hospital providers and could have an adverse effect on the financial condition of the Corporation, which could be material.

Debt Limit Increase

The federal government has through legislation created a debt “ceiling” or limit on the amount of debt that may be issued by the United States Treasury. In the past several years, political disputes have arisen within the federal government in connection with discussions concerning the authorization for an increase in the federal debt

ceiling. Any failure by Congress to increase the federal debt limit may impact the federal government's ability to incur additional debt, pay its existing debt instruments and to satisfy its obligations relating to the Medicare and Medicaid programs.

Management of the Corporation is unable to determine at this time what impact any future failure to increase the federal debt limit may have on the operations and financial condition of the Corporation, although such impact may be material. Additionally, the market price or marketability of the Bonds in the secondary market may be materially adversely impacted by any failure of Congress to increase the federal debt limit.

Health Care Reform

Federal Health Care Reform. As a result of the ACA, substantial changes have occurred and are anticipated to occur in the United States health care system. The ACA is impacting the delivery of health care services, the financing of health care costs, reimbursement of health care providers and the legal obligations of health insurers, providers, employers and consumers. Some of the provisions of the ACA took effect immediately or within a few months of final approval, while others were or will be phased in over time, ranging from one year to ten years. Because of the complexity of the ACA generally, additional legislation may be considered and enacted over time. The ACA has also required, and will continue to require, the promulgation of substantial regulations with significant effects on the health care industry and third-party payors. Thus, the health care industry is the subject of significant new statutory and regulatory requirements and consequently to structural and operational changes and challenges for a substantial period of time. The full ramifications of the ACA may also become apparent only over time and through later regulatory and judicial interpretations. Portions of the ACA have already been limited and nullified as a result of legislative amendments and judicial interpretations, while others have been upheld after being challenged, and future actions and challenges may further change its impact. The uncertainties regarding the implementation of the ACA create unpredictability for the strategic and business planning efforts of health care providers, which in itself constitutes a risk.

The changes in the health care industry brought about by the ACA may have both positive and negative effects, directly and indirectly, on the nation's hospitals and other health care providers, including the Corporation. For example, the increase in the numbers of individuals with health care insurance occurring as a consequence of Medicaid expansion, creation of health insurance exchanges, subsidies for insurance purchase and the penalty on certain individuals who do not purchase insurance could continue to result in lower levels of bad debt and increased utilization or profitable shifts in utilization patterns for hospitals. However, the cost containment measures and pilot programs that the ACA requires, the extent to which Medicaid expansion, which is now optional on a state by state basis, is either not pursued or results in a shifting of significant numbers of commercially-insured individuals to Medicaid, or health insurance options on exchanges are limited or unaffordable, may offset these benefits. A negative impact to the hospital industry overall has resulted and will likely continue from scheduled cumulative reductions in Medicare payments. The ACA's cost-cutting provisions to the Medicare program include reduction in Medicare market basket updates to hospital reimbursement rates under the inpatient prospective payment system, additional reductions to or elimination of Medicare reimbursement for certain patient readmissions and hospital-acquired conditions, as well as anticipated reductions in rates paid to Medicare managed care plans that may ultimately be passed on to providers. Industry experts also expect that government cost reduction actions may be followed by private insurers and payors. Because a large percentage of the gross patient revenues of the Corporation, for each of its fiscal years ended June 30, 2015 and 2014 were from Medicare spending, the reductions may have a material impact, and could offset any positive effects of the ACA. See also "—Patient Service Revenues — The Medicare Program" below.

Health care providers could be further subjected to decreased reimbursement as a result of implementation of recommendations of the Independent Payment Advisory Board ("IPAB") established by the ACA. Beginning January 15, 2019, if the Medicare growth rate exceeds the target, IPAB is directed to make recommendations for cost reduction for implementation by DHHS, and those recommended reductions will be automatically implemented unless Congress adopts alternative legislation that meets equivalent savings targets. While hospitals are largely exempted from recommendations from the IPAB, industry experts also expect that government cost reduction actions may be followed by private insurers and payors. The IPAB was to begin submitting its annual recommendations no later than January 15, 2014. However, President Obama has yet to appoint the members of the IPAB. Additionally,

the Chief Actuary of CMS has concluded that the projected Medicare per capita growth rate has not yet exceeded the target growth rate and there will be no need for IPAB activity at least through federal fiscal year 2016. In June 2015, the House of Representatives voted to repeal the IPAB, although the Senate has not yet approved the legislation. On the other hand, the fiscal year 2017 federal budget aims to strengthen the IPAB.

Beginning in 2014, the ACA authorized the creation of state “health insurance exchanges” in which health insurance can be purchased by certain groups and segments of the population, expanded the availability of subsidies and tax credits for premium payments by some consumers and employers, and required that certain terms and conditions be included by commercial insurers in contracts with providers. In addition, the ACA imposed many new obligations on states related to health insurance. It is unclear how the increased federal oversight of state health care may affect future state oversight or affect the Corporation. The health insurance exchanges may affect hospitals positively by increasing the availability of health insurance to individuals who were previously uninsured. Conversely, employers or individuals may shift their purchase of health insurance to new plans offered through the exchanges, which may or may not reimburse providers at rates equivalent to rates the providers currently receive. The exchanges could alter the health insurance markets in ways that cannot be predicted, and exchanges might, directly or indirectly, take on a rate-setting function that could negatively impact providers. Because the exchanges are still so new, the effects of these changes upon the financial condition of any third party payor that offers health insurance, rates paid by third-party payors to providers and, thus, the revenues of the Corporation, and upon the operations, results of operations and financial condition of the Corporation, cannot be predicted.

Additionally, the administration delayed the effective date of certain aspects of the ACA such as the requirement that businesses with more than 50 employees provide health insurance to their workers or pay a penalty, of which the deadline has been delayed to 2015 for employers with 100 or more full-time employees and 2016 for employers with 50 to 99 full-time employees. In response to difficulties faced by individuals who received cancellation notices regarding plans that did not meet the coverage requirements for the ACA, the administration granted those individuals an exception from the ACA’s individual mandate, which requires individuals to have health insurance or face a tax penalty in 2014. Those individuals may now obtain catastrophic coverage, which is basic coverage generally available to those under 30 or who meet a hardship exemption; the administration announced that it is granting a “hardship exemption” to individuals whose plans were cancelled and might be having difficulty paying for standing coverage. Similarly, delaying the ACA adjusted community rating provisions for grandfathered small group plans temporarily stabilizes renewal rates for many small employers with young, healthy employees in many markets. But when this delay expires, many of these small employers will receive significant rate increases as they are moved toward an average “community” rate. See “California Health Care Reform” below for information about the health insurance exchange in California.

High deductible insurance plans have become more common in recent years, and the ACA has encouraged an increase in high deductible insurance plans as the health care exchanges include a variety of plans, several of which offer lower monthly premiums in return for higher deductibles. Many plans offered on the exchanges have high deductibles. High deductible plans may contribute to lower inpatient volumes as patients may forgo or choose less expensive medical treatment to avoid having to pay the costs of the high deductibles. There is also a potential concern that some patients with high deductible plans will not be able to pay their medical bills as they may not be able to cover their high deductible.

The ACA will likely affect some health care organizations differently from others, depending, in part, on how each organization adapts to the legislation’s emphasis on directing more federal health care dollars to integrated provider organizations and providers with demonstrable achievements in quality care. Commencing October 1, 2012, the ACA established a value-based purchasing system for hospitals under the Medicare program, which was designed to provide incentive payments to hospitals that are contingent on satisfaction of specified performance measures related to common and high-cost medical conditions, such as cardiac, surgical and pneumonia care. The ACA also funds various demonstration programs and pilot projects and other voluntary programs to evaluate and encourage new provider delivery models and payment structures, including “accountable care organizations” (“ACOs”) and bundled provider payments. On January 26, 2015, a timetable was published for transitioning Medicare payments from the traditional fee-for-service model to a value-based payment system. This schedule calls for tying 30% of traditional Medicare fee-for-service payments to quality or value through alternative payment models, such as ACOs or bundled payment arrangements, by the end of 2016, increasing to 50% by 2018. In

addition, DHHS set a goal of tying 85% of all traditional Medicare fee-for-service payments to quality or value by 2016, increasing to 90% by 2018 through programs developed under the ACA and described herein such as the value based purchasing and preventable readmissions. In 2015, CMS announced that it would implement a mandatory bundled payment demonstration for certain joint replacement procedures. HHS announced in March 2016 that it had already met its 30 percent alternative payment arrangements goal, and has implemented a mandatory bundled payment demonstration for certain joint replacement procedures in various urban areas. Proposed rulemaking for additional mandatory bundled payment models was announced in July 2016 for three additional clinical conditions. While bundled payments offer opportunities to provide better coordinated care and to save costs, they also entail financial risk if the episode is not well managed. The outcomes of these projects and programs, including the likelihood of being made permanent or expanded or their effect on health care organizations' revenues or financial performance, cannot be predicted.

The ACA expands access to Medicaid and the scope of services covered thereunder. However, the decision to expand Medicaid is optional for each state. In the event a state chooses not to participate in the expanded Medicaid program, the net effect of the reforms in the ACA could be significantly reduced. The State of California has chosen to expand its Medicaid program, Medi-Cal, under the ACA. See "California Health Care Reform" below.

The ACA contains amendments to existing criminal, civil and administrative anti-fraud statutes and increases in funding for enforcement and efforts to recoup prior federal health care payments to providers. Under the ACA, a broad range of providers, suppliers and physicians are required to adopt a compliance and ethics program. While the government has already increased its enforcement efforts, failure to implement certain core compliance program features provide new opportunities for regulatory and enforcement scrutiny, as well as potential liability if an organization fails to prevent or identify improper federal health care program claims and payments. See also "–Regulatory Environment" below.

Efforts to repeal or substantially modify provisions of the ACA are from time to time pending in Congress. In June 2012, the Supreme Court upheld most provisions of the ACA, while limiting the power of the federal government to penalize states for refusing to expand Medicaid, and in June 2015, the Supreme Court issued a decision in *King v. Burwell*, ruling that health insurance subsidies under the ACA would be available in all states, including those with a federally-facilitated health insurance exchange. In November 2015, BBA 2015 repealed a provision of the ACA which would require employers that offer one or more health benefits plans and have more than 200 full-time employees to automatically enroll new full-time employees in a health plan. The ultimate outcomes of any legislative efforts to repeal, substantially amend, eliminate or reduce funding for the ACA are unknown and legal challenges to the ACA are unknown. The effect of any major modification or repeal of the ACA on the financial condition of the Corporation cannot be predicted with certainty, but could be material adverse. In addition to the prospect for legislative repeal or revision, a hostile administration could impose substantial change upon the ACA through administrative action, including revised regulation and other Executive Branch action and inaction.

California Health Care Reform. The State of California has enacted several laws intended to implement the ACA within the required federal timeframes. The State of California started taking steps to implement the ACA shortly after it became federal law.

- The State of California established a state health insurance exchange within a year of the ACA's passage, operated by the California Health Benefit Exchange under the brand name, "Covered California."
- The State of California Legislature approved expansion of Medi-Cal coverage, effective January 1, 2014, to include adults with incomes up to 138% of the federal poverty level who are under age 65, not pregnant and not otherwise currently eligible for Medi-Cal.
- The State of California enacted legislation prohibiting insurers from denying health coverage based on preexisting conditions.

- Forty-seven California counties participated in a “Bridge to Reform” program, in an effort to implement the ACA’s Medicaid expansion earlier than federal law requires.

- The State of California has also approved expansion of Medi-Cal coverage no sooner than May 1, 2016, to any individual who is under 19 years old and who does not have satisfactory immigration status. Children receiving restricted scope Medi-Cal (which does not include preventative health, mental health, substance abuse, or other basic services) prior to May 2016, will be transitioned to full Medi-Cal coverage.

- The State is also running a dual-eligibles pilot program, Cal MediConnect, with federal funding. See “Patient Service Revenues – California Medi-Cal” below.

Patient Service Revenues

The Medicare Program. Medicare is the federal health insurance system under which hospitals and other providers are paid for services provided to eligible elderly and disabled persons. Medicare is administered by CMS, which delegates to the states the process for certifying hospitals to which CMS will make payment. In order to achieve and maintain Medicare certification, hospitals must meet CMS’s “Conditions of Participation” on an ongoing basis, as determined by each state in which they operate and The Joint Commission or other officially sanctioned accrediting organization. The requirements for Medicare certification are subject to change, and, therefore, it may be necessary for hospitals to effect changes from time to time in their facilities, equipment, operations, personnel, billing, policies and services. Failure to comply with certification and accreditation requirements could result in a loss of eligibility to participate in the Medicare program. A loss of participation in the Medicare program could have a material negative effect on the financial condition and results of operations of the Corporation.

As the U.S. population ages, more people will become eligible for the Medicare program. Current projections indicate that demographic changes and continuation of current cost trends will exert significant and negative forces on the overall federal budget, including the ability of the federal government to continue to fund the Medicare program and changes to the way the federal government reimburses hospitals for services.

For each of the fiscal years ended June 30, 2015 and 2014, Medicare payments represented approximately ___% and 45%, respectively, of the Corporation’s gross patient revenue. See APPENDIX A – “INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES – SELECTED UTILIZATION AND FINANCIAL INFORMATION – Sources of Patient Services Revenue.”

The ACA institutes multiple mechanisms for reducing the costs of the Medicare program and thus reimbursements paid to hospitals, including the following, which apply to IPPS:

Market Basket Reductions. Generally, Medicare payment rates to hospitals for inpatient hospital services are adjusted annually based on a “market basket” of estimated cost increases. The ACA required automatic 0.25% reductions in the “market basket” for federal fiscal years 2010 and 2011, and calls for reductions in the annual “market basket” update amount ranging from 0.10% to 0.75 % each year through federal fiscal year 2019.

Market Productivity Adjustments. Beginning in federal fiscal year 2012 and thereafter, the ACA provides for “market basket” adjustments based on overall national economic productivity statistics calculated by the Bureau of Labor Statistics. This adjustment is anticipated to result in an approximately 1% additional annual reduction to the “market basket” update. The reduction in market basket updates and the productivity adjustments have had (and will continue to have) a disproportionately negative impact upon those providers that are relatively more dependent upon Medicare than other providers.

Value-Based Purchasing. Medicare inpatient payments to hospitals are now determined, in part, based on a program under which value-based incentive payments are made in a fiscal year to hospitals that meet certain performance standards during that fiscal year. The program is funded through a pool of money collected from all hospital providers, as a result of the reduction of hospital inpatient care payment by 1% in federal fiscal year 2013,

progressing to 2% by federal fiscal year 2017. The reduction is set at 1.75% for federal fiscal year 2016. This reduction may be offset by incentive payments that commenced in federal fiscal year 2013 for hospitals that meet or exceed quality standards. In each federal fiscal year, the total amount collected from these reductions will be pooled and used to fund payments to reward hospitals that meet certain quality performance standards established by DHHS.

Hospital Acquired Conditions Penalty. Beginning in federal fiscal year 2015, Medicare IPPS payments to hospitals that are in the top quartile nationally for frequency of certain “hospital-acquired conditions” identified by CMS are reduced by 1% of what would otherwise be payable to each hospital for the applicable federal fiscal year.

Readmission Rate Penalty. Medicare inpatient payments to those hospitals with excess readmissions compared to the national average for specified patient conditions are reduced based on the dollar value of that hospital’s percentage of excess preventable Medicare readmissions within 30 days of discharge, for certain medical conditions. The current maximum penalty is 3%. CMS recently expanded the patient conditions for which this penalty is assessed.

Medicare and Medicaid Disproportionate Share Payments. The ACA provided that beginning in federal fiscal year 2014, hospitals receiving supplemental Disproportionate Share (“DSH”) payments from Medicare (i.e., those hospitals that care for a disproportionate share of low-income Medicare beneficiaries) were slated to have their DSH payments reduced significantly. This reduction potentially will be offset by new, additional payments based on the volume of uninsured and uncompensated care provided by each such hospital, and is anticipated to be offset by a higher proportion of covered patients as other provisions of the ACA go into effect.

Separately, Medicaid DSH allotments from the federal government to the states are scheduled to be reduced in the aggregate amount of \$44 billion during federal fiscal years 2018 through 2025. These ACA-initiated Medicaid DSH allotment reductions have been delayed three times and modified five times by subsequent federal statutes. There can be no assurance that DSH funding will not be further decreased beyond projected reductions or eliminated entirely. See also “— Disproportionate Share Payments” below.

Medicare Advantage. Hospitals also receive payments from health plans under the Medicare Advantage program. The ACA includes significant changes to federal payments to Medicare Advantage plans resulting in a transition to benchmark payments tied to the level of fee-for-service spending in the applicable county. Decreased federal payments to the Medicare Advantage plans, which have been delayed to date, could in turn affect the scope of coverage of these plans or cause plan sponsors to negotiate lower payments to providers.

Electronic Health Information Systems Medicare and Medicaid Incentive Payments and Payment Reductions. Components of the 2008 federal stimulus package, the American Recovery and Reinvestment Act (“ARRA”), provide for Medicare and Medicaid incentive payments that began in 2011 to hospital providers meeting designated deadlines for the installation and use of electronic health information systems. For those hospital providers failing to meet a 2016 deadline, Medicare payments will be significantly reduced. For information regarding the Corporation’s electronic medical records system, see APPENDIX A – “INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES – HOSPITAL FACILITIES AND SERVICES – Information Technology Strategy.”

ATRA Medicare Reduction. In addition to components of the ACA described above, ATRA, also negatively affected hospital Medicare reimbursement. Specifically, ATRA reduced Medicare reimbursement for hospitals by \$10.5 billion, in the form of a coding and documentation adjustment to inpatient reimbursement payment rates, to help offset the \$30 billion cost of deferring a 27% reduction in Medicare physician payments that would otherwise have gone into effect as well as the cost of extending for one year several CMS payment policies that would otherwise have expired.

Hospital Inpatient Reimbursement. Hospitals are generally paid for inpatient services provided to Medicare beneficiaries based on established categories of treatments or conditions known as diagnosis related groups (“DRGs”). The actual cost of care, including capital costs, may be more or less than the DRG rate. DRG rates are subject to adjustment by CMS, including reductions mandated by the ACA and the BCA and are subject to federal

budget considerations. There is no guarantee that DRG rates, as they change from time to time, will cover actual costs of providing services to Medicare patients. For information regarding the impact of the ACA on payments to hospitals for inpatient services, see “–Patient Service Revenues – Market Basket Reductions” above.

Effective October 1, 2013, CMS adopted a policy known as the Inpatient Hospital Prepayment Review “Probe & Educate” review process or the “Two-Midnight” rule. The “Two-Midnight” policy specifies that hospital stays spanning two or more midnights after the beneficiary is properly and formally admitted as an inpatient will be presumed to be “reasonable and necessary” for purposes of inpatient reimbursement. CMS adopted the policy due to growing concern with the overuse of the “observation” status at hospitals; CMS found that Medicare beneficiaries were spending extended periods of time in observation units without being admitted as inpatients. With some exceptions, stays not expected to extend past two midnights should not be admitted and instead be billed as outpatient. In April 2015, CMS announced it would delay enforcement of the “Two-Midnight” rule until September 30, 2015 and in August 2015, CMS announced it would again delay enforcement of the “Two-Midnight” rule until the end of 2015. Effective October 1, 2015, responsibility for enforcement of the “Two-Midnight” rule shifted from Medicare administrative contractors to quality improvement organizations (“QIO”), and recovery audit contractors will only conduct reviews for providers that have been referred by the related QIO. The final rule regarding hospital outpatient reimbursement (described in the next paragraph), issued in November 2015 and effective January 1, 2016, revised the “Two-Midnight” rule to allow an exception for Medicare Part A payment on a case-by-case basis for inpatient admissions that do not satisfy the two-midnight benchmark if documentation in the medical records supports that the patient required inpatient care. CMS has announced that it will not continue to impose an inpatient payment cut to hospitals under the “Two-Midnight” rule starting in 2017 following ongoing industry criticism and a legal challenge. In the 2017 Medicare IPPS final rule released on August 2, 2016, CMS prospectively removed the inpatient payment cuts under the “Two-Midnight” rule for fiscal year 2017 and onward and provided a temporary increase of 0.6% payment in fiscal year 2017 to help offset the fiscal year 2014-2016 cuts under the “Two-Midnight” rule. The “Two-Midnight” rule has had and will likely continue to have an adverse financial impact for hospitals.

Hospital Outpatient Reimbursement. Hospitals are generally paid for outpatient services provided to Medicare beneficiaries under the final rule regarding hospital outpatient reimbursement, which is based on established categories of treatments or conditions known as ambulatory payment classifications (“APC”). The actual cost of care, including capital costs, may be more or less than the reimbursements. The ACA provides for a reduction to the market basket used to determine annual reimbursement increases by an adjustment factor for 2010 through 2019 and by a productivity adjustment for 2012 and subsequent years. Application of the productivity adjustment can result in a market basket increase of less than zero, such that payments in a current year may be less than the prior year. There is no guarantee that APC rates, as they change from time to time, will cover actual costs of providing services to Medicare patients.

Off-Campus Provider-Based Outpatient Departments. Effective January 1, 2016, the calendar year 2015 Outpatient Prospective Payment System Final Rule requires hospitals to use new modifiers for services provided to Medicare beneficiaries at off-campus provider-based outpatient departments. The stated purpose of the new modifiers is to permit CMS to obtain information regarding the effect of the trend of the conversion of physician offices to off-campus provider-based hospital outpatient departments. A potential result of this information could be a future reduction in reimbursement for certain services provided at certain types of off-campus provider-based outpatient departments. In any event, failure to use the modifiers correctly could jeopardize the provider-based status of associated off-campus locations. In addition, BBA 2015 created “site neutral” reimbursement for services to Medicare beneficiaries at certain off-campus provider based locations beginning January 1, 2017, unless such locations was billing as a provider-based outpatient department before November 2, 2015. Services subject to the change will not be reimbursed under Medicare’s hospital outpatient prospective payment system (“OPPS”), but rather will be reimbursed under alternative payment systems (for example, at ambulatory surgery center rates). The Medicare Payment Advisory Commission has also recommended site neutral payment policies for provider-based departments. The financial impact of these changes cannot yet be predicted but off-campus hospital outpatient departments will receive lower payments than in previous years for the same services.

CMS published a proposed rule implementing the site neutral provisions of BBA 2015 on July 6, 2016. Under the proposed rule, hospitals will have very limited ability to replace or expand their existing off-campus hospital outpatient departments or to expand the scope of services provided in such facilities. It is also unclear how

hospitals will bill and receive payment for services subject to the site neutral rules after January 1, 2017. It is unclear when the proposed rule will be finalized and what the financial impact of the site neutral payment provisions will be.

Other Medicare Service Payments. Medicare payment for skilled nursing services, psychiatric services, inpatient rehabilitation services, general outpatient services and home health services are based on regulatory formulas or predetermined rates. There is no guarantee that these rates, as they may change from time to time, will be adequate to cover the actual cost of providing these services to Medicare patients.

Ambulatory Surgery Center (“ASC”) Services. An ASC is paid under its own PPS program, which pays for all services associated with the surgery, including laboratory and other diagnostic services, if the ASC includes them in the facility charges. However, it does not pay for services for which Medicare will typically make a separate payment, such as for physician services. There is no guarantee that ASC PPS rates, as they change from time to time, will cover actual costs of providing services to Medicare patients. The Corporation owns 100% of El Camino Surgery Center, LLC, which owns one-third of an operating ambulatory surgery center.

Home Health Services. Home health services are paid under their own PPS program, which calls for a fixed payment for a 60-day episode of care based on home health resource groups. Payment is based on several factors, such as the type and severity of the patient’s condition, the type and number of services used, and the number of therapy visits. There is no guarantee that home health services PPS rates, as they change from time to time, will cover actual costs of providing services to Medicare patients. The Corporation is not a direct provider of these services. See APPENDIX A – “INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES – GENERAL – Joint Ventures – *Pathways*.”

Reimbursement of Hospital Capital Costs. Hospital capital costs apportioned to Medicare patient use (including depreciation and interest) are paid by Medicare on the basis of a standard federal rate (based upon average national costs of capital), subject to limited adjustments specific to the hospital. There can be no assurance that future capital-related payments will be sufficient to cover the actual capital-related costs of the Corporation’s facilities applicable to Medicare patient stays or will provide flexibility for hospitals to meet changing capital needs.

Medical Education Payments. Medicare currently pays for a portion of the costs of medical education at hospitals that have teaching programs. These payments are vulnerable to reduction or elimination. The direct and indirect medical education reimbursement programs have repeatedly emerged as targets in the legislative efforts to reduce the federal budget deficit. Legislation has capped the number of residents recognized by Medicare for reimbursement purposes and has limited reimbursement for both direct and indirect medical education costs. The Corporation does not receive medical education payments.

Medicare Bad Debt Reimbursement. Under Medicare, the costs attributable to the deductible and coinsurance amounts which remain unpaid by the Medicare beneficiary can be added to the Medicare share of allowable costs as cost reports are filed. Hospitals generally receive interim pass-through payments during the cost report year which were determined by the Medicare Administrative Contractor (“MAC”) from the prior cost report filing. Bad debts must meet the following criteria to be allowable:

- the debt must be related to covered services and derived from deductible and coinsurance amounts;
- the provider must be able to establish that reasonable collection efforts were made;
- the debt was actually uncollectible when claimed as worthless; and
- sound business judgment established that there was no likelihood of recovery at any time in the future.

The amounts uncollectible from specific beneficiaries are to be charged off as bad debts in the accounting period in which the accounts are deemed to be uncollectible. In some cases, an amount previously written off as a bad debt and allocated to the program may be recovered in a subsequent accounting period. In these cases, the

recoveries must be used to reduce the cost of beneficiary services for the period in which the collection is made. In determining reasonable costs for hospitals, the amount of bad debts otherwise treated as allowable costs is reduced by 35%. Amounts incurred by a hospital as reimbursement for bad debts are subject to audit and recoupment by the MAC. Bad debt reimbursement has been a focus of MAC audit/recoupment efforts in the past.

Sustainable Growth Rate Formula. The sustainable growth rate (“SGR”) formula, a limit on the growth of Medicare payments for physician services, was enacted in 1997 and linked to changes in the U.S. Gross Domestic Product over a ten-year period. Each year since 2003, Congress provided temporary relief from scheduled “negative” updates that would have reduced physician payments. In April 2015, Congress passed and the President signed the so-called “doc fix” in the form of the Medicare Access and CHIP Reauthorization Act of 2015. This law replaces the SGR formula with statutorily prescribed physician payment updates and provisions. As a result, payments under the Medicare Physician Fee Schedule for services furnished on or after April 1, 2015 were not cut by 21%. Instead, current payment rates will increase annually by 0.5% through 2019. Thereafter, payment rates will be frozen at 2019 levels through 2025. While the payment cuts associated with the SGR formula have been eliminated, there is uncertainty regarding the impact of merit-based and alternative payment models and it is possible that future legislative action will be taken that would once again trigger physician payment reductions.

Recovery Audit Contractor Program. CMS has implemented a Recovery Audit Contractor (“RAC”) program on a nationwide basis pursuant to which CMS contracts with private contractors to conduct pre-and post-payment reviews to detect and correct improper payments in the fee-for-service Medicare program. The ACA expands the RAC program’s scope to include managed Medicare plans and Medicaid claims. The Corporation, along with many other hospitals, has been and continues to be subject to RAC audits of Medicare and Medicaid payments and has experienced disallowance and recoveries of Medicare and Medicaid payments as a result of such audits. It is possible that such amounts in the future could have material adverse impact on the Corporation. CMS also employs Medicaid Integrity Contractors (“MICs”) to perform post-payment audits of Medicaid claims and identify improper payments. These programs tend to result in retroactively reduced payment and higher administration costs to hospitals.

Never Events and Hospital Acquired Conditions. In 2002, the National Quality Forum published “Serious Reportable Events in Healthcare: A Consensus Report” that identified 27 adverse events that were “serious, largely preventable and of concern to both the public and health care providers.” This list (and subsequent revisions) became known as “never events.” Historically, Medicare did not distinguish between costs that resulted from patient treatment as opposed to costs that resulted from an adverse event that occurred in the hospital. Section 5001(c) of the Deficit Reduction Act of 2005 required CMS to identify conditions that were high cost or volume or both, resulted in assignment to a DRG that had a higher payment when present as a secondary diagnosis, and that could have reasonably been prevented. As a result, CMS has developed a list of hospital acquired conditions (such as foreign object retained after surgery, Stage III and IV pressure ulcers and catheter-associated urinary tract infections) that are denied higher Medicare payments. The ACA also added a 1% payment reduction for facilities with hospital-acquired condition rates in the top quartile of all subsection (d) (i.e., MS-DRG) hospitals. The new payment reduction applies to Medicare MS-DRG discharges on or after October 1, 2015. See also “Patient Services Revenue — The Medicare Program — Hospital Acquired Conditions Penalty.” In addition, CMS has developed a list of non-covered services that relate to adverse (i.e. “never”) events (e.g., surgery on the wrong body part or correct procedure on the wrong patient) for which the hospital will not be reimbursed. The Corporation will be at risk for decreased reimbursement if certain adverse events or hospital acquired conditions occur. The State may also levy administrative penalties against hospitals that experience certain significant adverse patient events.

Medicaid Program. Medicaid is a program of medical assistance, funded jointly by the federal government and the states, for certain low income individuals and their dependents. Under Medicaid, the federal government provides limited funding to states that have medical assistance programs that meet federal standards. As discussed above, the ACA provides significantly enhanced federal funding for states to expand their Medicaid program. Attempts to balance or reduce the federal and state budgets, including the balanced budget requirements in the State of California, may negatively impact spending for Medi-Cal/Medicaid and other state health care programs spending.

For the fiscal years ended June 30, 2015 and 2014, the Corporation received approximately _% and 6%, respectively, of gross patient revenue from services covered by Medi-Cal programs. See APPENDIX A – “INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES – SELECTED UTILIZATION AND FINANCIAL INFORMATION – Sources of Patient Services Revenue.”

California Medi-Cal. Medi-Cal is the California Medicaid program. Prior to July 2013, California selectively contracts with general acute care hospitals to provide inpatient services to Medi-Cal patients. As of July 1, 2013, the State of California implemented a new payment system for hospital inpatient services based on diagnosis related groups (“DRGs”). The DRG payment method is based on All-Patient Refined Diagnosis Related Groups (“APR-DRGs”), which is a proprietary classification system for clinical conditions that is currently licensed and in use by many other state Medicaid programs. Under the DRG payment methodology, the California Department of Health Care Services (“DHCS”) reimburses hospitals a fixed amount for each inpatient admission based on the APR-DRG for that admission, which DHCS will assign based on the diagnoses, procedures, patient age, and discharge status submitted on the hospital claim form. As DHCS and hospitals gain experience with the APR-DRG payment methodology, DHCS intends to make adjustment in certain circumstances. It is anticipated that some California hospitals will see decreases in Medi-Cal payments while other hospitals will receive increases.

Medi-Cal’s primary care model is to contract with providers it has approved to provide care to eligible individuals. This system has hundreds of providers statewide that are not required to coordinate on the delivery of services to an individual. However, California and the federal government are now partnering on a three-year demonstration project called “Cal MediConnect” to promote coordinated health care delivery to seniors and people with disabilities who are dually eligible for Medi-Cal and Medicare (a.k.a., “dual eligible” or “dual eligible beneficiaries”). Cal MediConnect is part of California’s larger Coordinated Care Initiative (“CCI”), which was authorized in 2012 to, among other things, introduce managed care delivery models as a means of providing coordinated care to dual eligibles. The State of California believes the managed care plan model will offer dual eligibles an important level of personal choice and control over their health care decisions, while also producing significant cost savings to the State of California in connection with providing care to the Medi-Cal and Medicare eligible population. If successful, the demonstration project is expected to expand from an original eight county pilot to become the primary model for public insurance paid care (i.e., Medicaid and Medicare) statewide for California. It is not known at this early stage of the demonstration project whether Cal MediConnect will be financially or otherwise favorable or unfavorable for the Corporation as compared to California’s existing individual provider based system for providing access to care for Medi-Cal and Medicare beneficiaries.

At this time, a significant amount of legislation regarding Medi-Cal has been proposed, including Proposition 52, described below in “BONDHOLDERS’ RISKS – Patient Service Revenues – California Hospital Provider Fee.” At this time, management of the Corporation is unable to determine the impact that any current or future proposed legislation, if enacted, may have on the financial condition of the Corporation.

Impact of Medicaid Payment Reductions. The ACA makes changes to Medicaid funding and substantially increases the potential number of Medicaid beneficiaries. To fund this expansion, the ACA provides that the federal government will fund 100% of the costs of this expansion from 2014 – 2016, decreasing to 90% of the costs of this expansion in 2020 and thereafter. In June 2012, the U.S. Supreme Court held that the federal government cannot withhold existing federal funds for states that refuse to expand Medicaid as required by the ACA. While management of the Corporation cannot predict the effect of these changes to the Medicaid program on operations, results from operations or financial condition of the Corporation, historically Medicaid has reimbursed at rates below the cost of care. Therefore, increases in the overall proportion of Medicaid patients pose a financial risk to the Corporation. It is uncertain to what extent this risk may be mitigated if the increased Medicaid utilization replaces previously uncompensated patients. Certain outcomes, such as a state refusing to expand Medicaid coverage under the ACA, which brings more patients to most hospital providers, while Medicaid payment cuts are implemented, could put providers at greater financial risk. The State of California has chosen to expand Medicaid under the ACA.

California Hospital Provider Fee. In 2009, the California legislature enacted the Medi-Cal Hospital Provider Rate Stabilization Act and the Quality Assurance Fee Act, which imposed a “quality assurance fee” on California’s general acute care hospitals, except for public hospitals and certain exempt hospitals. The Medi-Cal hospital provider fee is essentially a tax on hospitals to raise funds for provider payments. The proceeds are used to

earn federal matching funds for Medi-Cal, and to increase Medi-Cal payments to hospitals. Under this program, some California hospitals receive more funding in increased Medi-Cal reimbursement than the quality assurance fees paid, while other California hospitals receive less money in Medi-Cal payments than the fees paid. California has enacted legislation to extend this program to December 31, 2016, subject to approval from CMS. The California Medi-Cal Hospital Reimbursement Initiative, or Proposition 52, is on the November 2016 ballot. The initiative is intended to extend the hospital fee program indefinitely and to put protections in place to prevent diversion of funds from the program.

Medicare and Medicaid Audits. Hospitals that participate in the Medicare and Medicaid programs are subject from time to time to audits and other reviews and investigations relating to various aspects of their operations and billing practices, as well as to retroactive adjustments of reimbursements received from these programs. Medicare and Medicaid regulations also provide for withholding reimbursement in certain circumstances. New billing rules and reporting requirements for which there is no clear guidance from CMS or state Medicaid agencies could result in claims submissions being considered inaccurate. The penalties for violations may include an obligation to refund money to the Medicare or Medicaid program, payment of criminal or civil fines and, for serious or repeated violations, exclusion from participation in federal health programs.

Authorized by the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), the Medicare Integrity Program (“MIP”) was established to deter fraud and abuse in the Medicare program. Funded separately from the general administrative contractor program, the MIP allows CMS to enter into contracts with outside entities and insure the “integrity” of the Medicare program. These entities, include but are not limited to, Medicare zone program integrity contractors (“ZPICs”), formerly known as program safeguard contractors, are contracted by CMS to review claims and medical charts, both on a prepayment and post-payment basis, conduct cost report audits and identify cases of suspected fraud. ZPICs have the authority to deny and recover payments as well as to refer cases to the Office of Inspector General (the “OIG”). ZPICs have the ability to compile claims data from multiple sources in order to analyze the complete claims histories of beneficiaries for inconsistencies.

The federal Medicaid Integrity Program was created by the Deficit Reduction Act in 2005 and appropriations for enforcement began in 2006. The Medicaid Integrity Program was the first federal program established to combat fraud and abuse in state Medicaid programs. Congress determined a federal program was necessary due to the substantial variations in state Medicaid enforcement efforts. The Medicaid Integrity Program’s enforcement efforts support existing state Medicaid Fraud Control Units. Federal Medicaid Integrity Contractors (“MICs”) are classified into Review MICs, Audit MICs and Educational MICs. Review MICs perform review audits generally to determine trends and patterns of aberrant Medicaid billing practices through data mining. Audit MICs perform post-payment reviews of individual providers through desk or field audits. The Educational MICs are responsible for developing and carrying out a variety of education activities to increase and improve Medicaid enforcement efforts by state government. Once a Medicaid overpayment is identified, the state has either 60 days, or one year if there is fraud, to repay the state’s share of federal financial participation to CMS. The state is then required to collect from the provider. If the provider wins on an appeal of the identified overpayment, the state is not permitted to reclaim its federal portion, so there is very little incentive for the states to settle such cases with the provider.

Medicare and Medicaid audits may result in reduced reimbursement or repayment obligations related to past alleged overpayments and may also delay Medicare and Medicaid payments to providers pending resolution of the appeals process. The ACA explicitly gives DHHS the authority to suspend Medicare and Medicaid payments to a provider or supplier during a pending investigation of fraud. The ACA also amended certain provisions of the FCA (as defined herein) to include retention of overpayments as a violation of the FCA. It also added provisions respecting the timing of the obligation to identify, report and reimburse overpayments. The effect of these changes on existing programs and systems of the Corporation cannot be predicted.

In February 2016, CMS issued a final rule, that took effect on March 14, 2016, addressing the requirement to report and return overpayments, with an emphasis for providers on developing robust compliance programs. In the final rule, CMS imposes a new “reasonable diligence” standard for identifying overpayments that must be reported and returned within 60 days, CMS clarifies that the 60-day timeframe for report and return begins when either reasonable diligence is completed (including determination of the overpayment amount) or on the day the person received credible information of a potential overpayment if the person failed to conduct reasonable diligence

and the person in fact received an overpayment. In the final rule, CMS instructed that 6 years is the appropriate lookback period for identifying historical overpayments. The final rule also imposes an alternative duty to proactively determine whether overpayments have been made. The effect of these changes on existing programs and systems of the Corporation cannot be predicted.

Disproportionate Share Payments. The federal Medicare and the California Medi-Cal programs, each provides additional payment for hospitals that serve a disproportionate share of certain low-income patients. The Corporation receives disproportionate share (“DSH”) payments, but there can be no assurances that it will qualify for DSH payments in the future. The ACA substantially reduces federal DSH payments to account for the expected decline in the number of uninsured individuals and hospital uncompensated costs. The Protecting Access to Medicare Act of 2014 delays the implementation of Medicaid DSH payment reductions until federal fiscal year 2017 but increases the level of such reductions and extends Medicaid DSH cuts through federal fiscal year 2024. The DSH replacement program’s funding level is currently linked to California’s federal DSH allotment. It cannot be assured that the level and timing of health insurance coverage gains will reduce hospital uncompensated care costs so as to fully offset these authorized reductions to federal DSH funding. Nor can there be any assurance that DSH funding will not be further decreased beyond projected reductions or eliminated entirely.

State Children’s Health Insurance Program. The State Children’s Health Insurance Program (“SCHIP”) is a federally funded insurance program for children whose families are financially ineligible for Medicaid, but cannot afford commercial health insurance. CMS administers SCHIP, but each state creates its own program based upon minimum federal guidelines. SCHIP insurance is provided through private health plans contracting with the state.

Each state must periodically submit its SCHIP plan to CMS for review to determine if it meets the federal requirements. If it does not meet the federal requirements, a state can lose its federal funding for the program. Any such loss of funding or federal or state budget cuts to the program could have an adverse effect on provider revenues.

California Assembly Bill (AB) 1494, (Committee on Budget, Chapter 28, Statutes of 2012), required all Healthy Families Program (“HFP”) enrollees in California to transition to Medi-Cal as targeted low-income Medicaid children, as allowed under federal law, beginning January 1, 2013.

The ACA temporarily increased reimbursement for primary care visits for Medicaid enrolled individuals, funded 100% by the federal government in 2013 and 2014. The federal funding for the increase expired at the end of 2014. Under the Medicare Access and CHIP Reauthorization Act of 2015, federal funding for SCHIP was extended through September 30, 2017. When such funding expires there can be no assurances that funding for an increase will be reestablished at either a state or federal level, or that professional and /or facility reimbursement rates will not subsequently be reduced in efforts to manage costs.

California State Budget. The State of California has in the recent past faced severe financial challenges, which financial challenges included erosion of general fund tax revenues, falling real estate values, slow economic growth and high unemployment. Shortfalls between revenues and spending have in the past and may in the future result in cutbacks to state and local government health care programs.

The fiscal outlook for the State of California is improving, with the State of California's unemployment rate dropping, corporate profits trending favorably, housing prices increasing and the progress in paying down debts, deferrals, and budgetary obligations accumulated over the prior decade as a result of many factors, including the last recession that limit State of California spending.

One reason for the State of California's improved fiscal outlook is the temporary tax revenues generated by Proposition 30, passed by California voters in November 2012. Proposition 30 provides new State of California General Fund revenue by increasing personal income taxes and sales tax. The tax increases established are temporary, with the income tax increases set to expire no later than 2018 and the sales tax increase set to expire in 2016. An extension of the income tax increase until 2030 has been placed on the ballot for voter consideration in November of 2016.

While California's economic climate and financials are improving, it is impossible to predict the impact of future financial challenges to the California economy, including threat of future recessions, changes in federal spending policy and other events that could result in budget deficits. It is also impossible to predict what the State of California's budget will be in future years or the actions that the California Governor, the State of California legislature or voters – via ballot initiative – will take in the future. It is reasonable to expect, however, that the California Governor and the State of California Legislature will continue to pursue cost containment measures to keep the State of California's budget in balance, in part by aggressively managing the State of California's health care spending, which may have an adverse effect on the financial condition of the Corporation.

Any financial challenges facing the State of California may negatively affect health care organizations in a number of ways. California may enact legislation designed to reduce their Medicaid expenditures through eligibility restrictions (causing a greater number of indigent, uninsured or underinsured patients) and reductions in Medicaid payment rates. In October 2011, CMS approved the State of California's request for 10% reductions in Medi-Cal payments for certain outpatient services and for long-term care. The ACA provides for significant expansions to the Medicaid program and additional funding. In California, for example, additional funding is conditioned on California maintaining specified beneficiary eligibility criteria. The ACA and BCA may shift further funding responsibility from the federal government to state governments, exacerbating any state financial challenges. See "BONDHOLDERS' RISKS – Significant Risk Areas Summarized – General Economic Conditions, Bad Debt, Indigent Care and Investment Performance" and "– Nonprofit Health Care Environment – Indigent Care" herein. The Corporation cannot predict what actions will be taken in the current and future years by the State of California Legislature and the California Governor to address any financial problems of the State of California. Such actions will likely depend on national and state economic conditions and other factors which are uncertain at this time.

Health Plans and Managed Care. Most private health insurance coverage is provided by various types of "managed care" plans, including health maintenance organizations ("HMOs") and preferred provider organizations ("PPOs") that generally use discounts and other economic incentives to reduce or limit the cost and utilization of or payment for health care services. Medicare and Medicaid also purchase health care using managed care options. Payments to health care organizations from managed care plans typically are lower than those received from traditional indemnity or commercial insurers.

In California, managed care plans have replaced indemnity insurance as the primary source of non-governmental payment for health care services, and health care organizations must be capable of attracting and maintaining managed care business, often on a regional basis. Regional coverage and aggressive pricing may be required. However, it is also essential that contracting health care organizations be able to provide the contracted services without significant operating losses, which may require multiple forms of cost containment.

Many HMOs and PPOs currently pay providers on a negotiated fee-for-service basis or, for institutional care, on a fixed rate per day of care, or a fixed rate per hospital stay, which, in each case, usually is discounted from the usual and customary charges for the care provided. As a result, the discounts offered to HMOs and PPOs, could, in some cases, result in payment to a provider that is less than its actual cost. Additionally, the volume of patients directed to a provider may vary significantly from projections, and/or changes in the utilization may be dramatic and unexpected, thus jeopardizing the provider's ability to manage this component of revenue and cost.

Some HMOs employ a "capitation" payment method under which health care organizations are paid a predetermined periodic rate for each enrollee in the HMO who is "assigned" or otherwise directed to receive care from a particular health care organization. The health care organization may assume financial risk for the cost and scope of institutional care given. If payment is insufficient to meet the health care organization's actual costs of care, or if utilization by such enrollees materially exceeds projections, the financial condition of the health care organization could erode rapidly and significantly. In addition to this standard managed care risk sharing approach, private health insurance companies are increasingly adopting various additional risk sharing/cost containing measures, sometimes similar to those introduced by government payors. Providers may expect health care cost containment and its associated risk sharing to continue to increase in the coming years amongst all payors.

Often, managed care contracts are enforceable for a stated term, regardless of health care organizations' losses and may require health care organizations to care for enrollees for a certain time period, regardless of whether the payor is able to pay the health care organization. Health care organizations from time to time have disputes with HMOs, PPOs and other managed care payors concerning payment and contract interpretation issues. Such disputes may result in mediation, arbitration or litigation.

There is no assurance that the Corporation will maintain particular insurance contracts, existing rates or obtain contracts from other third party payors in the future. Failure to maintain contracts could have the effect of reducing a health care organization's market share and net patient services revenues. Conversely, participation may result in lower net income if participating health care organizations are unable to adequately contain their costs. In part to reduce costs, health plans are increasingly implementing, and offering to purchasing employers, tiered provider networks, which involve classification of a plan's network providers into different tiers based on care quality and cost. With tiered benefit designs, plan enrollees are generally encouraged, through incentives or reductions in copayments or deductibles, to seek care from providers in the top tier. Classification of a hospital in a non-preferred or lower tier by a significant payor may result in a material loss of volume. In addition to tiered provider networks, managed care plans are also implementing narrow provider networks in which only a select group of providers participate as in-network providers. Managed care plans often look at quality performance and cost in selecting providers to participate in their narrow networks. A provider's exclusion from a narrow network may result in a material loss of volume. Managed care plans may offer lower reimbursement for providers in their narrow network(s) in exchange for additional volume expected from being one of a select group of network providers. This reimbursement may be insufficient to cover a network provider's cost in providing the services. The new demands of dominant health plans and other shifts in the managed care industry may also reduce patient volume and revenue. Thus, managed care poses one of the most significant business risks (and opportunities) that health care organizations face.

In addition, the current trend of consolidation in the health insurance industry is likely to increase the leverage of commercial insurers when negotiating rates with health care providers. Large health insurers that assume dominant positions in local markets threaten to increase health insurer concentration, reduce competition and decrease choice. If the Corporation were to terminate its agreement with any of the major managed care payers or not agree to terms proposed by such payers, it could have a significant material adverse impact on the financial condition of the Corporation.

With implementation of the ACA, substantial numbers of employers may elect to discontinue employer-funded medical care for employees eligible for federal assistance in securing private insurance, and the employees could then choose health insurance under the health insurance exchanges. Individuals choosing their own coverage may become highly price sensitive, which could increase the number of enrollees in HMO plans and increase the use of capitation, making price negotiations with HMO and other insurance plans more difficult.

Patients covered by managed care contracts (both HMO and PPO) constituted approximately __% and 44%, respectively, of gross patient revenue for the Corporation for fiscal years ended June 30, 2015 and 2014. See APPENDIX A – "INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES – SELECTED UTILIZATION AND FINANCIAL INFORMATION – Sources of Patient Services Revenue."

International Classification of Diseases, 10th Revision Coding System

On October 1, 2015, the International Classification of Diseases, 10th Revision coding system ("ICD-10") diagnostic code set went live. ICD-10 provides a common approach to the classification of diseases and other health problems, allowing the United States to align with other nations to better share medical information, diagnosis, and treatment codes. ICD-10 is not without risk as staff had to be retrained, processes redesigned, and computer applications modified as the current available codes and digit size dramatically increased. Additionally, there is a potential for temporary coding and payment backlog, as well as potential increases in claims errors. There is a potential for revenue stream disruption for health care organizations and the magnitude of the transition within the industry may add pressure to health care organizations' cash flows. Health care organizations were dependent on outside software vendors, clearinghouses and third-party billing services to develop products and services to allow

timely, full and successful implementation of ICD-10. With the recent implementation deadline, it is not possible to predict the full impact of the implementation of ICD-10.

Negative Rankings Based on Clinical Outcomes, Cost, Quality, Patient Satisfaction and Other Performance Measures

Health plans, Medicare, Medi-Cal, employers, trade groups and other purchasers of health services, private standard-setting organizations and accrediting agencies increasingly are using statistical and other measures in efforts to characterize, publicize, compare, rank and change the quality, safety and cost of health care services provided by hospitals and providers. The ACA initiated a shift in reimbursements from paying for volume to paying for value, based on various health outcome measures, reporting requirements and quality and efficiency metrics. Published rankings such as Medicare's "Hospital Compare" quality ranking system, "score cards," "pay for performance" and other financial and non-financial incentive programs are being introduced to affect the clinical behavior, operations, reputation, and revenue of hospitals, the members of their medical staffs and other providers and to influence the behavior of consumers and providers such as the Corporation. Currently prevalent are measures of quality based on clinical outcomes of patient care, reduction in costs, patient satisfaction and investment in health information technology. Measures of performance set by others that characterize a hospital or a provider negatively may adversely affect its reputation and financial condition.

Enforcement Affecting Clinical Research

In addition to increasing enforcement of laws governing payment and reimbursement, the federal government has also stepped up enforcement of laws and regulations governing the conduct of clinical trials at hospitals. DHHS elevated and strengthened its Office of Human Research Protection, one of the agencies responsible for monitoring federally funded research. In addition, the National Institutes of Health significantly increased the number of facility inspections that these agencies perform. The Food and Drug Administration ("FDA") also has authority over the conduct of clinical trials performed in hospitals when these trials are conducted on behalf of sponsors seeking FDA approval to market the drug or device that is the subject of the research. Moreover, the OIG in "Work Plans" has included several enforcement initiatives related to reimbursement for experimental drugs and devices (including kickback concerns) and has issued compliance program guidance directed at recipients of extramural research awards from the National Institutes of Health and other agencies of the U.S. Public Health Service. There have been a number of recent government investigations and settlements involving hospital use of federal grant funding in connection with clinical trials and also a settlement involving the submission of claims to Medicare for services provided in a clinical trial. These agencies' enforcement powers range from substantial fines and penalties to exclusion of researchers and suspension or termination of entire research programs, and errors in billing of the Medicare Program for care provided to patients enrolled in clinical trials that is not eligible for Medicare reimbursement can subject health care organizations to sanctions as well as repayment obligations.

Regulatory Environment

"Fraud" and "False Claims." Health care "fraud and abuse" laws have been enacted at the federal and state levels to broadly regulate the provision of services to government program beneficiaries and the methods and requirements for submitting payment claims for services rendered to the beneficiaries. Under these laws, hospitals and others can be penalized for a wide variety of conduct, including submitting claims for services that are not provided, billing in a manner that does not comply with government requirements or submitting inaccurate billing information, billing for services deemed to be medically unnecessary, or billings accompanied by an illegal inducement to utilize or refrain from utilizing a service or product.

Federal and state governments have a broad range of criminal, civil and administrative sanctions available to penalize and remediate health care fraud, including the exclusion of a hospital from participation in the Medicare/Medicaid programs, civil monetary penalties, executing corrective action plans, and suspension of Medicare/Medicaid payments. Fraud and abuse cases may be prosecuted by one or more government entities and/or private individuals, and more than one of the available sanctions may be, and often are, imposed for each violation.

The ACA authorizes the Secretary of DHHS to exclude a provider from participation in Medicare and Medicaid as well as suspend payments to a provider pending an investigation or prosecution of a credible allegation of fraud against the provider.

Laws governing fraud and abuse may apply to a health care organization and to nearly all individuals and entities with which a health care organization does business. Fraud investigations, settlements, prosecutions and related publicity can have a material adverse effect on health care organizations. See “Enforcement Activity” below. Major elements of these often highly technical laws and regulations are generally summarized below. See also APPENDIX A – “INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES – OTHER INFORMATION – Regulatory Environment.”

False Claims Act. The federal False Claims Act (“FCA”) makes it illegal to knowingly submit or present a false, fictitious or fraudulent claim for payment or approval for payment for which the federal government provides, or reimburses, at least some portion of the requested money or property. Because the term “knowingly” is defined broadly under the law to include not only actual knowledge but also deliberate ignorance or reckless disregard of the facts, the FCA can be used to punish a wide range of conduct. The ACA amends the FCA by expanding the number of activities that are subject to civil monetary penalties to include, among other things, failure to report and return known overpayments within statutory time limits. FCA investigations and cases have become common in the health care field and may cover a range of activity from submission of inflated billings, to highly technical billing infractions, to allegations of inadequate care. Penalties under the FCA are severe and may include damages equal to three times the amount of the alleged false claims, as well as substantial civil monetary penalties. As a result, violation or alleged violation of the FCA frequently results in settlements that require multi-million dollar payments and costly corporate integrity agreements. The FCA also permits individuals to initiate civil actions on behalf of the government in lawsuits called “qui tam” actions. Qui tam relators, or “whistleblowers,” can share in the damages recovered by the federal government or recover independently if the federal government does not participate. The FCA has become one of the federal government’s primary tools against health care fraud and suspected fraud. FCA violations or alleged violations could lead to settlements, fines, exclusion or reputation damage that could have a material adverse impact on a hospital and other health care providers. Because qui tam lawsuits are kept under seal while the federal government evaluates whether the United States will join the lawsuit, it is impossible to determine at this time whether any such actions are pending against the Corporation and no assurances can be made that such actions will not be filed in the future.

Under the ACA, the FCA has been expanded to include overpayments that are discovered by a health care provider and are not promptly refunded to the applicable federal health care program, even if the claims relating to the overpayment were initially submitted without any knowledge that they were false. The final rule which took effect on March 14, 2016 requires that providers report and return identified overpayments by the later of 60 days after identification, or the date the corresponding cost report is due, if applicable. If the overpayment is not so reported and returned, it becomes an “obligation” under the FCA. This expansion of the FCA exposes hospitals and other health care providers to liability under the FCA for a considerably broader range of claims than in the past. There was initially great uncertainty in the industry as to when an overpayment is technically “identified” and the ability of a provider to determine the total amount of an overpayment and satisfy its repayment obligation within the required time period. The March 14, 2016 final rule clarified that an overpayment is considered to have been identified when the person has or should have, through the exercise of reasonable diligence, determined that the person has received an overpayment and quantified the amount of the overpayment. That final rule also established a six year lookback period, meaning overpayments must be reported and returned only if a person identifies the overpayment within six years of the date the overpayment was received.

The FCA provides for potentially severe penalties: treble damages, attorneys’ fees and civil fines of \$5,500 to \$11,000 per claim. Pursuant to a rule published September 6, 2016 and effective August 1, 2016, the civil fines will be based on the Bureau of Labor Statistics’ Consumer Price Index for October 2015 and increase to \$10,781 to \$21,562 per claim for violations based on facts occurring after November 2, 2015. The increased penalty range significantly increases the potential financial exposure resulting from an FCA violation.

In June 2016, the United States Supreme Court announced its decision in *Universal Health Services, Inc. v. United States ex rel. Escobar*, No. 15-7 (U.S. June 16, 2016). Prior to *Escobar*, lower courts had split on the issue of whether the FCA extended to so-called “implied certification” of compliance with laws, and whether such compliance was limited to express conditions of payment or extended to conditions of participation. The United States Supreme Court affirmed the theory of “implied certification” and rejected the distinction between conditions of payment and conditions of participation for these purposes, ruling that the relevant inquiry is whether the alleged noncompliance, if known to the government, would have in fact been material to the government’s determination as to whether to pay the claim. There is considerable uncertainty as to the application of the *Escobar* holding, but depending on how it is interpreted by the lower courts, it could result in an expanded scope of potential FCA liability for noncompliance with applicable laws, regulations and subregulatory guidance.

Anti-Kickback Law. The federal “Anti-Kickback Law” is a criminal statute that prohibits anyone from soliciting, receiving, offering or paying any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, in return for a referral of a patient (or to induce a referral) or the ordering or recommending of the purchase (or lease) of any item or service that is paid by any federal or state health care programs. The Anti-Kickback Law applies to many common health care transactions between persons and entities with which a hospital does business, including hospital-physician joint ventures, services agreements, medical director agreements, physician recruitment agreements, physician office leases, and other transactions. The Corporation participates in such arrangements in the ordinary course of business. The ACA amended the Anti-Kickback Law to provide explicitly that a claim that includes items or services resulting from a violation of the Anti-Kickback Law constitutes a false or fraudulent claim for purposes of the FCA. Another amendment provides that an Anti-Kickback Law violation may be established without showing that an individual knew of the statute’s proscriptions or acted with specific intent to violate the Anti-Kickback Law, but only that the conduct was generally unlawful. The revised standards could significantly expand criminal and civil fraud exposure for transactions and arrangements where there is no intent to violate the Anti-Kickback Law.

Violations or alleged violations of the Anti-Kickback Law often result in settlements that require multi-million dollar payments and onerous corporate integrity agreements. The Anti-Kickback Law can be prosecuted either criminally or civilly. A criminal violation may be prosecuted as a felony, subject to a fine of up to \$25,000 for each criminal act (which may be each item or each bill sent to a federal program), imprisonment and/or exclusion from the Medicare and Medicaid programs, any of which would have a significant detrimental effect on the financial stability of most hospitals. In addition, civil monetary penalties of \$50,000 per violation of the Anti-Kickback statute and an “assessment” of three times the amount claimed may be imposed. Increasingly, the federal government and qui tam relators are prosecuting violations of the Anti-Kickback Law under the FCA, based on the argument that claims resulting from an illegal kickback arrangement are also false claims for FCA purposes. See the discussion under the subheading “False Claims Act” above. The IRS has taken the position that hospitals that are in violation of the Anti-Kickback Law may also be subject to revocation of their tax-exempt status. See “– Tax-Exempt Status and Other Tax Matters” below.

Stark Law. The federal “Stark Law” prohibits the referral by a physician of Medicare and Medicaid patients for certain designated health services (including inpatient and outpatient hospital services, clinical laboratory services, and radiation and other imaging services) to entities with which the referring physician has a financial relationship, unless the relationship fits within a stated exception. It also prohibits a hospital furnishing the designated services from billing Medicare, or any other payor or individual, for services performed pursuant to a prohibited referral. The government does not need to prove that the entity knew that the referral was prohibited to establish a Stark Law violation. If certain substantive and technical requirements of an applicable exception are not satisfied, many ordinary business practices and economically desirable arrangements between hospitals and physicians will likely constitute improper “financial relationships” within the meaning of the Stark Law, thus triggering the prohibition on referrals and billing. Most providers of designated health services with physician relationships have some exposure to liability under the Stark Law. The regulations issued under the Stark Law render illegal referrals for designated health services made in connection with a number of common arrangements under which physician-owned entities provide services and/or equipment to hospitals, unless the parties strictly comply with the regulatory exceptions, and may increase risk of violation due to lack of clarity of the technical requirements.

Medicare may deny payment for all services related to a prohibited referral and a hospital that has billed for prohibited services is obligated to notify and refund the amounts collected from the Medicare program or to make a self-disclosure to CMS under its Self-Referral Disclosure Protocol. For example, if an office lease between a hospital and a large group of heart surgeons is found to violate the Stark Law, the hospital could be obligated to repay CMS for the payments received from Medicare for all of the designated health services referred to the hospital by all of the physicians in the group for the period of time the lease does not comply with an applicable Stark exception, which could potentially be a significant amount. As a result, even relatively minor, technical violations of the law may trigger substantial refund obligations. In the Physician Fee Schedule final rule for calendar year 2016, CMS eased some of the technical burdens associated with Stark Law compliance (e.g. CMS explains in the final rule that a single contract is not necessary and instead a collection of documents could suffice to demonstrate compliance with the regulatory exceptions to the Stark Law), but the practical outcome remains unclear. The federal government may also seek substantial civil monetary penalties, and in some cases, a hospital may be excluded from the Medicare and Medicaid programs. Potential repayments to CMS, settlements, fines or exclusion for a Stark Law violation or alleged violation could have a material adverse impact on a hospital and other health care providers. Increasingly, the federal government and qui tam relators are prosecuting violations of the Stark Law under the FCA, based on the argument that claims resulting from an illegal referral arrangement are also false claims for FCA purposes. See the discussion under the subheading “False Claims Act” above. The federal government has also attempted to recover the federal portion of Medicaid claims referred to hospitals by physicians with whom they have a prohibited financial relationship.

CMS has established a voluntary self-disclosure program under which hospitals and other entities may report Stark Law violations and seek a reduction in potential refund obligations. However, the program is relatively new and therefore it is difficult to determine at this point in time whether it will provide significant monetary relief to hospitals that discover inadvertent Stark Law violations. The limited publicly available information with respect to the self-disclosure program suggests that most voluntary self-disclosure submissions remain under consideration by CMS for an extended period of time, and that it is difficult to predict how CMS will react to any specific voluntary self-disclosure. The Corporation may make self-disclosures under this program as appropriate from time to time. Any submission pursuant to the self-disclosure program does not waive or limit the ability of the OIG or DOJ to seek or prosecute violations of the Anti-Kickback Statute or impose civil monetary penalties.

Review of Outlier Payments. CMS is reviewing health care providers that are receiving large proportions of their Medicare revenues from outlier payments. Health care providers found to have obtained inappropriately high outlier payments will be subject to further investigation by the CMS Program Integrity Unit and potentially the OIG.

Liability Under State “Fraud” and “False Claims” Laws. Health care organizations in California also are subject to a variety of state laws related to false claims (similar to the FCA or generally applicable false claims laws), anti-kickback (similar to the federal Anti-Kickback Law or generally applicable anti-kickback or fraud laws), and physician referral (similar to Stark Law). These prohibitions, while similar in public policy and scope to the federal laws, have not in all instances been avidly enforced to date. However, in the future they could pose the possibility of material adverse impact for the same reasons as the federal statutes. See discussion under the subheadings “False Claims Act,” “Anti-Kickback Law” and “Stark Referral Law” above.

Antitrust. Antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, payor contracting, physician relations, joint ventures, merger, affiliation and acquisition activities, certain pricing or salary setting activities, as well as other areas of activity. Consolidation transactions among health care providers is an area in which investigation and enforcement activity by federal and state antitrust agencies is particularly frequent and vigorous. The application of the federal and state antitrust laws to health care is evolving (especially as the ACA and other coordination of care initiatives are implemented), and therefore not always clear. Currently, the most common areas of potential liability are joint action among providers with respect to payor contracting, medical staff credentialing disputes, and hospital mergers and acquisitions.

Violation of the antitrust laws could result in criminal and/or civil enforcement proceedings by federal and state agencies, as well as actions by private litigants. In certain actions, private litigants may be entitled to treble

damages, and in others, governmental entities may be able to assess substantial monetary fines. Investigations and proceedings arising from the application of federal and state antitrust laws can require the dedication of substantial resources by affected providers and can delay or impede proposed transactions even if ultimately it is determined that no violation of applicable law would occur as a result of the proposed transaction.

HIPAA and Other Privacy Requirements. HIPAA added additional criminal sanctions for health care fraud and applies to all health care benefit programs, whether public or private. HIPAA also provides for punishment of a health care provider for knowingly and willfully embezzling, stealing, converting or intentionally misapplying any money, funds, or other assets of a health care benefit program. A health care provider convicted of health care fraud could be subject to mandatory exclusion from Medicare.

HIPAA, along with new privacy rules arising under federal and various state statutes, also addresses the confidentiality of individuals' health information. Disclosure of certain broadly defined protected health information is prohibited unless expressly permitted under the provisions of the HIPAA statute and regulations or authorized by the patient. HIPAA's confidentiality provisions extend not only to patient medical records, but also to a wide variety of health care clinical and financial information. These patient privacy requirements often impose communication, operational, and accounting obligations that add costs and create potentially unanticipated sources of liability. Regulations under 42 C.F.R. Part 2 also provide a heightened level of privacy of records associated with the provision of substance abuse counseling and treatment by covered alcohol and substance abuse treatment programs and has enacted laws that provide greater protection for certain sensitive health information, such as mental health records. These rules are significantly more restrictive than the privacy provisions set forth in HIPAA. States may adopt privacy laws that are more restrictive than HIPAA but not less restrictive. California has broadened its data security breach notification law to cover compromised medical and health insurance information. Together, all of these laws and regulations add compliance costs and create potentially unanticipated sources of legal liability for the Corporation.

HIPAA imposes civil monetary penalties for violations and criminal penalties for knowingly obtaining or using individually identifiable health information.

The HITECH Act. Provisions in the Health Information Technology for Economic and Clinical Health Act (the "HITECH Act"), enacted as part of ARRA, increased the minimum and maximum civil monetary penalties for violations of HIPAA and granted enforcement authority of HIPAA to state attorneys general. The HITECH Act also (i) extended the reach of HIPAA beyond "covered entities" to include the direct regulation of "business associates" (ii) imposed a breach notification requirement on HIPAA covered entities and business associates, (iii) limited certain uses and disclosures of individually identifiable health information, and (iv) restricted covered entities' marketing communications. Management of the Corporation does not anticipate that compliance with the HITECH Act will have a material effect on the Corporation's operations.

The breach notification obligation, in particular, may expose covered entities such as hospitals to heightened liability. Under HITECH, in the event of a data privacy breach, covered entities are required to notify affected individuals and the federal government. If more than 500 individuals are affected by the breach (1) the covered entity must also notify the media and (2) the federal government posts a description of the breach on its website. Although HIPAA does not provide for a private right of action, these reporting obligations increase the risk of government enforcement as well as class action lawsuits filed under state privacy or consumer protection laws, especially if large numbers of individuals are affected by a breach and can cause reputational harm.

The HITECH Act revises the civil monetary penalties associated with violations of HIPAA as well as provides state attorneys general with authority to enforce the HIPAA privacy and security regulations in some cases through a damages assessment of \$100 per violation or an injunction against the violator. The revised civil monetary penalty provisions for DHHS establish a tiered system, ranging from a minimum of \$100 per violation for an unknowing violation to \$1,000 per violation for a violation due to reasonable cause, but not willful neglect. For a violation due to willful neglect, the penalty is a minimum of \$10,000 or \$50,000 per violation, depending on whether the violation was corrected within 30 days of the date the violator knew or should have known of the violation.

Maximum penalties may reach \$1,500,000 for identical violations. The new levels of civil monetary penalties apply immediately for unknowing violations or violations due to reasonable cause.

Criminal penalties are enforced against persons who obtain or disclose personal health information without authorization. DHHS, in its continuing enforcement of compliance with HIPAA, is performing periodic audits of health care providers, group health plans, and their business associates to ensure that required policies under the HITECH Act are in place. Finally, individuals harmed by violations will be able to recover a percentage of monetary penalties or a monetary settlement based upon methods to be established by DHHS for this private recovery.

The Office for Civil Rights (“OCR”) is the administrative office that is tasked with enforcing HIPAA. OCR has stated that it has now moved from education to enforcement in its implementation of the law. Recent settlements of HIPAA violations for breaches involving lost data have reached the millions of dollars. Any breach of HIPAA, regardless of intent or scope, may result in penalties or settlement amounts that are material to a covered health care provider or health plan.

On January 25, 2013, DHHS issued comprehensive modifications to the existing HIPAA regulations to implement the requirements of the HITECH Act, commonly known as the “HIPAA Omnibus Rule.” The HIPAA Omnibus Rule became effective on March 26, 2013, and covered entities were required to be in compliance by September 23, 2013 (though certain requirements have a longer timeframe). Key aspects of the HIPAA Omnibus Rule include, but are not limited to: (i) a new standard for what constitutes a breach of private health information, (ii) establishing four levels of culpability with respect to civil monetary penalties assessed for HIPAA violations, (iii) direct liability of business associates for certain violations of HIPAA, (iv) modifications to the rules governing research, (v) stricter requirements regarding non-exempt marketing practices, (vi) modification and re-distribution of notices of privacy practices, and (vii) stricter requirements regarding the protection of genetic information. The obligations imposed under the HIPAA Omnibus Rule could have a material adverse effect on the financial condition of health care organizations.

The HITECH Act also established programs under Medicare and Medicaid to provide incentive payments for the “meaningful use” of certified electronic health record (“EHR”) technology. In 2011, the Medicare and Medicaid EHR incentive programs began providing incentive payments to eligible professionals and eligible hospitals for demonstrating meaningful use of certified EHR technology. Health care providers demonstrate their meaningful use of EHR technology by meeting objectives specified by CMS for using health information technology and by reporting on specified clinical quality measures. Under a revised schedule, Stage 2 of the EHR incentive program would be extended through 2016 and Stage 3 would begin in 2017 for providers having completed at least two years in Stage 2. In October 2015, CMS released a final rule specifying the criteria for participation in Stage 3 of the EHR incentive program as optional in 2017 and required for all providers beginning in 2018. Additionally, beginning in 2014, the federal government began auditing hospitals’ and providers’ records related to their attestation of being “meaningful users” in order to obtain the incentive payments. A hospital or provider that fails the audit will have an opportunity to appeal. Ultimately, hospitals or providers that fail on appeal will have to repay any incentive payments they received through these programs. See APPENDIX A – “INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES – HOSPITAL FACILITIES AND SERVICES – Information Technology Strategy” for certain information about the meaningful use incentives revenues for the Corporation and for information concerning the electronic health records system of the Corporation.

Beginning in 2015, hospitals and physicians that have not satisfied the performance and reporting criteria for demonstrating meaningful use had their Medicare payments significantly reduced. The Medicare Access and CHIP Reauthorization Act of 2015 (“MACRA”) ends the payment reductions for physicians who fail to demonstrate meaningful use after 2018. However, beginning in 2019, use of certified EHR technology will be a performance category under MACRA’s Merit-based Incentive Payment System (“MIPS”) for certain physicians and other health care professionals who do not meet MACRA’s thresholds for participation in certain alternative payment models designated by Medicare. A physician’s failure to use certified EHR technology consistent with MIPS’ requirements would lower the physician’s performance score under MIPS and could result in reduced Medicare reimbursement for professional services performed by the physician. On May 9, 2016, CMS published a proposed rule in the Federal Register to implement MIPS with numerous, complex requirements. A final rule is expected later in 2016. The need

to implement technology, operational and other changes to address MIPS requirements for use of certified EHR may have a material adverse impact on the Corporation. Generally, MACRA did not change hospital participation in the Medicare EHR Incentive Program or participation for physicians in the Medicaid EHR incentive program.

Business Associates. Under existing HIPAA regulations, covered entities must include certain required provisions in their contractual relationships with organizations that perform functions on their behalf which involve use or disclosure of protected health information. These organizations are called business associates, and prior to the HITECH Act, had been indirectly regulated by HIPAA through those contractual obligations. The HITECH Act and the final rules promulgated thereunder provide that all of the HIPAA security administrative, physical, and technical safeguards, as well as security policies, procedures and documentation requirements now apply directly to all business associates. In addition, the HITECH Act makes certain privacy provisions directly applicable to business associates. These changes are significant because business associates will now be directly regulated by DHHS for those requirements, and as a result, will be subject to penalties imposed by DHHS and/or state attorneys general. Likewise, to the extent a business associate is deemed to be an agent of the covered entity under the Federal common law, the covered entity will be liable for the breaches of the business associate. Covered entities have had to review and amend their business associate agreements in recent years in order to comply with these changing rules, which can be costly and administratively burdensome.

Security Breaches and Unauthorized Releases of Personal Information. State and local authorities are increasingly focused on the importance of protecting the confidentiality of individuals' personal information, including patient health information. Many states, including California, have enacted laws requiring businesses to notify individuals of security breaches that result in the unauthorized release of personal information. In some states, notification requirements may be triggered even where information has not been used or disclosed, but rather has been inappropriately accessed.

In California, two medical privacy laws became effective January 1, 2009, which expanded the State of California's medical privacy standards and provided new oversight mechanisms and penalties to enforce them. These medical privacy laws penalize unlawful access, use or disclosure of patient's medical information, as well as unauthorized access, which the laws define as the inappropriate viewing of patient medical information without the direct need for diagnosis, treatment or other lawful use. Administrative penalties under these medical privacy laws may reach \$250,000 per violation or for each reported event under certain aggravating circumstances.

State consumer protection laws may also provide the basis for legal action for privacy and security breaches and frequently, unlike HIPAA, authorize a private right of action. In particular, as discussed with respect to the HITECH Act above, the public nature of security breaches exposes health organizations to increased risk of individual or class action lawsuits from patients or other affected persons, in addition to government enforcement and negative media attention. Failure to comply with restrictions on patient privacy or to maintain robust information security safeguards, including taking steps to ensure that contractors who have access to sensitive patient information maintain the confidentiality of such information, could consequently damage a health care provider's reputation and materially adversely affect business operations.

In a hospital or health system, there can often be security incidents related to patient information, which stem from a variety of causes ranging from external or internal deliberate invasions by individuals or employees, to inadvertent loss or misdirection of paper or electronic records, to theft of hardware or software. Ransomware attacks on hospitals and health systems, where a cyber-attacker infects the target's computer systems with malicious software that denies access to data, usually through encryption, until a ransom is paid, have dramatically increased in recent years. DHHS has stated that when electronic protected health information is encrypted as a result of a ransomware attack, a HIPAA breach has occurred, and the hospital or health system must comply with the applicable breach notification rule and requirements. It is difficult to predict the likelihood of a ransomware attack, but if such attack did occur, it could have a material adverse impact on the Corporation.

Cybersecurity Risks. Health care providers are highly dependent upon integrated electronic medical record and other information technology systems to deliver high quality, coordinated and cost-effective health care. These systems necessarily hold large quantities of highly sensitive protected health information that is highly valued on the

black market for such information. As a result, the electronic systems and networks of health care providers are considered likely targets for cyberattacks and other potential breaches of their systems. In addition to regulatory fines and penalties, the health care entities subject to the breaches may be liable for the costs of remediating the breaches, damages to individuals (or classes) whose information has been breached, reputational damage and business loss, and damage to the information technology infrastructure. The Corporation has taken, and continues to take measures to protect its information technology system against such cyberattacks, but there can be no assurance that the Corporation will not experience a significant breach. Despite the implementation of network security measures by the Corporation, there can be no assurance that the Corporation will not experience a significant breach. The Corporation's information technology systems may be vulnerable to breaches, hacker attacks, computer viruses, physical or electronic break-ins and other similar events or issues. Such events or issues could lead to the inadvertent disclosure of protected health information or other confidential information or could have an adverse effect on the ability of the Corporation to provide health care services. If such a breach occurs, the financial consequences of such a breach could have a material adverse impact on the Corporation.

Exclusions from Medicare or Medicaid Participation. The government may exclude a health care provider from Medicare/Medicaid program participation if such provider has been convicted of a criminal offense relating to the delivery of any item or service reimbursed under Medicare or a state health care program, any criminal offense relating to patient neglect or abuse in connection with the delivery of health care, fraud against any federal, state or locally financed health care program or an offense relating to the illegal manufacture, distribution, prescription, or dispensing of a controlled substance. The government also may exclude individuals or entities under certain other circumstances, such as an unrelated conviction of fraud, or other financial misconduct relating either to the delivery of health care in general or to participation in a federal, state or local government program. Exclusion from the Medicare/Medicaid program means that a health care provider would be decertified from program participation and no program payments can be made. Any health care provider exclusion could be a materially adverse event. In addition, exclusion of the health care organization's employees or independent contractors or their employees under Medicare or Medicaid may be another source of potential liability for hospitals and health systems based on services provided by those excluded individuals or entities.

Administrative Enforcement. Administrative regulations may require less proof of a violation than do criminal laws, and, thus, health care providers may have a higher risk of imposition of monetary penalties as a result of administrative enforcement actions.

Civil Monetary Penalties Law. The federal Civil Monetary Penalties Law ("CMPL") provides for administrative sanctions against health care providers for a broad range of billing and other abuses. A health care provider is liable under the CMPL if it knowingly presents, or causes to be presented, improper claims for reimbursement under Medicare, Medicaid and other federal health care programs. A hospital that participates in arrangements known as "gainsharing" by paying a physician to limit or reduce medically necessary services to Medicare fee-for-service beneficiaries also could be subject to CMPL penalties. A health care provider that provides benefits to Medicare or Medicaid beneficiaries that such provider knows or should know are likely to induce the beneficiaries to choose the provider for their care also could be subject to CMPL penalties. The CMPL authorizes imposition of a civil money penalty and treble damages. The ACA also amended the CMPL laws to establish various new grounds for exclusion and civil monetary penalties, as well as increased penalty thresholds for existing civil monetary penalties.

Health care providers may be found liable under the CMPL even when they did not have actual knowledge of the impropriety of their action. Knowingly undertaking the action is sufficient. Ignorance of the Medicare regulations is no defense. The imposition of civil money penalties on a health care provider could have a material adverse impact on the provider's financial condition.

Compliance with Conditions of Participation. CMS, in its role of monitoring participating providers' compliance with conditions of participation in the Medicare program, may determine that a provider is not in compliance with its conditions of participation. In that event, a notice of termination of participation may be issued or other sanctions, such as suspension or executing potentially burdensome corrective actions plans, could be

imposed. If the corrective action plan is not accepted by CMS, or if it is not successfully implemented, the provider's Medicare provider agreement could be terminated or other sanctions imposed.

EMTALA. The Emergency Medical Treatment and Active Labor Act ("EMTALA") is a federal civil statute that requires hospitals to treat or conduct a medical screening for emergency conditions and to stabilize a patient's emergency medical condition before releasing, discharging or transferring the patient. A hospital that violates EMTALA is subject to civil penalties of up to \$50,000 per offense and exclusion from the Medicare and Medicaid programs. In addition, the hospital may be liable for any claim by an individual who has suffered harm as a result of a violation.

Licensing, Surveys, Investigations and Accreditations. Health facilities are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. These include, but are not limited to, requirements of state licensing agencies and The Joint Commission. Renewal and continuation of certain of these licenses, certifications and accreditations are based on inspections or other reviews generally conducted in the normal course of business of health facilities. Loss of, or limitations imposed on, hospital licenses or accreditations could reduce hospital utilization or revenues, or a hospital's ability to operate all or a portion of its facilities or to bill various third party payors.

Environmental Laws and Regulations. Health facilities are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations. These include, but are not limited to: air and water quality control requirements; waste management requirements; specific regulatory requirements applicable to asbestos and radioactive substances; requirements for providing notice to employees and members of the public about hazardous materials handled by or located at the health facilities; and requirements for training employees in the proper handling and management of hazardous materials and wastes.

Health facilities may be subject to requirements related to investigating and remedying hazardous substances located on their property, including such substances that may have migrated off the property. Typical hospital operations include the handling, use, storage, transportation, disposal and discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants and contaminants. As such, hospital operations are particularly susceptible to the practical, financial and legal risks associated with the environmental laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations and/or increase their cost; may result in legal liability, damages, injunctions or fines; may result in investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions; and may not be covered by insurance.

Enforcement Activity. Enforcement activity against health care providers has increased, and enforcement authorities have adopted aggressive approaches. In the current regulatory climate, it is anticipated that many hospitals and physician groups will be subject to an audit, investigation or other enforcement action regarding the health care fraud laws mentioned above.

Enforcement authorities are often in a position to compel settlements by providers charged with or being investigated for false claims violations by withholding or threatening to withhold Medicare, Medicaid and/or similar payments or to recover higher damages, assessments or penalties by instituting criminal action. In addition, the cost of defending such an action, the time and management attention consumed, and the facts of a case may dictate settlement. Therefore, regardless of the merits of a particular case, a hospital could experience materially adverse settlement costs, as well as materially adverse costs associated with implementation of any settlement agreement. Prolonged and publicized investigations could be damaging to the reputation and business of a health care organization, regardless of outcome.

Certain acts or transactions may result in violation or alleged violation of a number of the federal health care fraud laws described above, and therefore penalties or settlement amounts often are compounded. Generally these risks are not covered by insurance. Enforcement actions may involve multiple hospitals or other facilities in a health system, as the government often extends enforcement actions regarding health care fraud to other entities in

the same organization. Therefore, Medicare fraud related risks identified as being materially adverse to a health care organization could have materially adverse consequences to a health system taken as a whole.

Business Relationships and Other Business Matters

Integrated Delivery Systems. Health facilities and health care systems often own, control or have affiliations with physician groups and independent practice associations. Generally, the sponsoring health facility or health system is the primary capital and funding source for such alliances and may have an ongoing financial commitment to provide growth capital and support operating deficits. As separate operating units, integrated physician practices and medical foundations sometimes operate at a loss and require subsidies or other support from the related hospital or health system. In addition, integrated delivery systems present business challenges and risks. Inability to attract or retain participating physicians may negatively affect managed care, contracting and utilization. The technological and administrative infrastructure necessary both to develop and operate integrated delivery systems and to implement new payment arrangements in response to changes in Medicare and other payor reimbursement is costly. Hospitals may not achieve savings sufficient to offset the substantial costs of creating and maintaining this infrastructure.

These types of alliances are generally designed to respond to trends in the delivery of medicine to better integrate hospital and physician care, to increase physician availability to the community and/or to enhance the managed care capability of the affiliated hospitals and physicians. However, these goals may not be achieved, and an unsuccessful alliance may be costly and counterproductive to all of the above-stated goals.

These types of alliances are likely to become increasingly important to the success of hospitals in the future as a result of changes to the health care delivery and reimbursement systems that are intended to restrain the rate of increases of health care costs, encourage coordinated care, promote collective provider accountability and improve clinical outcomes. The ACA authorizes several alternative payment programs for Medicare that promote, reward or necessitate integration among hospitals, physicians and other providers.

Whether these programs will achieve their objectives and be expanded or mandated as conditions of Medicare participation cannot be predicted. However, Congress and CMS have clearly emphasized continuing the trend away from the fee-for-service reimbursement model, which began in the 1980s with the introduction of the prospective payment system for inpatient care, and toward an episode-based payment model that rewards use of evidence-based protocols, quality and satisfaction in patient outcomes, efficiency in using resources, and the ability to measure and report clinical performance. This shift is likely to favor integrated delivery systems, which may be better able than stand-alone providers to realize efficiencies, coordinate services across the continuum of patient care, track performance, and monitor and control patient outcomes. Changes to the reimbursement methods and payment requirements of Medicare, which is the dominant purchaser of medical services, are likely to prompt equivalent changes in the commercial sector, because commercial payors frequently follow Medicare's lead in adopting payment policies.

While payment trends may stimulate the growth of integrated delivery systems, these systems carry with them the potential for legal or regulatory risks. Many of the risks discussed in “—Regulatory Environment” above, may be heightened in an integrated delivery system. The foregoing laws were not designed to accommodate coordinated action among hospitals, physicians and other health care providers to set standards, reduce costs and share savings, among other things. The ability of hospitals or health systems to conduct integrated physician operations may be altered or eliminated in the future by legal or regulatory interpretation or changes, or by health care fraud enforcement. In addition, participating physicians may seek to maintain their independence for a variety of reasons, thus putting the hospital or health system's investment at risk, and potentially reducing its managed care leverage and/or overall utilization. In October 2011, CMS, the Federal Trade Commission and the DOJ jointly issued guidance regarding waivers and safe harbors to enable providers to participate in the Medicare Shared Savings Program (see “Accountable Care Organization,” below). Although CMS issued the Shared Savings Plan final rule in June 2015, there can be no assurance that such regulations or any waivers or other regulations or guidance issued will sufficiently clarify the scope of permissible activity in all cases. State law prohibitions, such as the bar on the corporate practice of medicine, or state law requirements, such as insurance laws regarding licensure

and minimum financial reserve holdings of risk-bearing organizations, may also introduce complexity, risk and additional costs in organizing and operating integrated delivery systems. Tax-exempt hospitals and health systems also face the risk when affiliating with for-profit entities that the IRS will determine that compensation practices or business arrangements result in prohibited private benefit or private use or generate unrelated business income for the hospitals and health systems.

Health care providers, responding to health care reform and other industry pressures, are increasingly moving toward integrated delivery systems, managing the health of populations of individuals, patient-centered medical homes, bundled payments, and capitated insurance plans. These trends will require new infrastructures, including the appropriate mix of physician specialties, new administrative skills, close relationships between physicians and hospitals, insurance risk management, and new relationships between patients and providers. Provider organizations may be unsuccessful in assembling successful integrated networks, may not achieve savings sufficient to offset the substantial costs of creating and maintaining the necessary infrastructures to support such developments, could incur losses from assuming increased risk and could incur damage to reputations. Some health care organizations that traditionally operated hospitals may, directly or in partnership, take on actual insurance risk, market various health coverage products and access patients by way of new and presently unknown channels. Such new endeavors could adversely affect the financial and operating condition or reputation of an organization.

Physician Financial Relationships. In addition to the physician integration relationships referred to above, hospitals and health systems frequently have various additional business and financial relationships with physicians and physician groups. These are in addition to hospital physician contracts for individual services performed by physicians in hospitals. They potentially include: joint ventures to provide a variety of outpatient services; recruiting arrangements with individual physicians and/or physician groups; loans to physicians; medical office leases; equipment leases from or to physicians; and various forms of physician practice support or assistance. These and other financial relationships with physicians (including hospital physician contracts for individual services) may involve financial and legal compliance risks for the hospitals and health systems involved. From a compliance standpoint, these types of financial relationships may raise federal and state anti-kickback and federal Stark Law issues (see “Regulatory Environment,” above), tax exemption issues (see “Tax-Exempt Status and Other Tax Matters,” below), as well as other legal and regulatory risks, and these could have a material adverse impact on hospitals.

Bundled Payment Programs. The ACA established a voluntary Medicare bundled payment pilot program, under which Medicare will make a single payment for an episode of care, such as heart bypass surgery, covering some combination of hospital, physician and post-hospital care for the episode. DHHS has developed a mandatory Medicare bundled payment program that provides bundled payments to acute care hospitals in select cities for hip and knee replacements. Private insurers are also developing bundled payment programs. While bundled payments offer opportunities to provide better coordinated care and to save costs, they also entail financial risk if the episode is not well managed.

Accountable Care Organization. The ACA established a Medicare Shared Savings Program (the “MSSP”) that seeks to promote accountability and coordination of care through the creation of Accountable Care Organizations (“ACOs”). The program allows hospitals, physicians and others to form ACOs and work together to invest in infrastructure and redesign integrated delivery processes to achieve high quality and efficient delivery of services. ACOs that achieve quality performance standards will be eligible to share in a portion of the amounts saved by the Medicare program and, depending on their participation status, may share in a portion of any losses suffered by the Medicare program. DHHS has significant discretion to determine key elements of the program, including what steps providers must take to be considered an ACO, how to decide if Medicare program savings have occurred, and what portion of such savings will be paid to ACOs. In November 2011 and June 2015, CMS published the final rules regarding ACOs and in June 2015, CMS issued a final rule to update and improve policies governing the MSSP. The regulations are complex and it remains unclear whether the qualification requirements will be a formidable barrier to entry. In particular, because the federal ACO regulations do not preempt state law, providers in any state participating as a federal ACO must be organized and operated in compliance with such state’s existing statutes and regulations. In January 2016, CMS issued a proposed rule that aims to revise the benchmark rebasing calculations for ACOs. While these revised benchmark rebasing calculations may be particularly attractive

for high performing ACOs, the delayed onset of these revised benchmark calculations (e.g., the revised methodology would not apply for the earliest ACOs until the start of their third participation agreement in 2019) leaves the MSSP ACO landscape somewhat uncertain. Also, the Federal Trade Commission (“FTC”) and Department of Justice (“DOJ”) issued a joint statement of antitrust enforcement policy in October 2011 as applied to ACOs; CMS and the OIG issued a final rule in October 2015 on certain waivers of the Anti-Kickback Law, Stark Law and the Civil Monetary Penalties Law for ACOs; and the IRS issued a notice and fact sheet in October 2011 addressing the impact on tax-exempt organizations participating in ACOs; however, there may remain regulatory risks for participating hospitals, as well as financial and operational risks. It is possible that hospital participants in ACOs will have to marshal a large upfront financial investment to form unique and untested ACO structures, which may or may not succeed in gaining qualification. For those that do qualify, it is uncertain whether the savings will be adequate to recoup the initial investment. CMS is also developing and implementing more advanced ACO payment models, such as the Next Generation ACO Model, which require ACOs to assume greater risk for attributed beneficiaries. Providers participating in MSSP and other ACO payment models developed by CMS may not be able to recoup their investments and may suffer further losses if they are not able to meet quality targets and sufficiently control the cost of care for their attributed beneficiaries. In addition, private insurers and self-insured employers are beginning to establish similar incentives for providers, requiring changes in infrastructure and organization. The potential impacts of these initiatives and the regulation of ACOs are unknown and continually evolving, but introduce greater risk and complexity to health care finance and operations.

Hospital Pricing. Inflation in hospital prices may evoke action by legislatures, payors or consumers. It is possible that legislative action at the state or national level may be taken with regard to the pricing of health care services. California law requires every hospital to implement written policies for charity care and discounted care, which must offer reduced rates to low to moderate income patients. Hospitals are required to submit these policies to the State of California for posting on a publicly accessible website.

Hospital Medical Staff. The primary relationship between a hospital and physicians who practice at the hospital is through the hospital’s organized medical staff. Medical staff bylaws, rules and policies establish the criteria and procedures by which a physician may have his or her privileges or membership granted, curtailed, denied or revoked. Physicians who are denied medical staff membership or certain clinical privileges or who have such membership or privileges curtailed or revoked often file legal actions against hospitals and medical staffs. Such actions may include a wide variety of claims, some of which could result in substantial uninsured damages to a hospital. In addition, failure of the hospital governing body to adequately oversee the conduct of its medical staff and the quality of care may result in hospital liability to third parties.

Physician Supply. Sufficient community-based physician supply is important to hospitals and other health care facilities. CMS annually reviews overall physician reimbursement formulas for Medicare and Medicaid. Changes to physician compensation under these programs could lead to physicians ceasing to accept Medicare and/or Medicaid patients. Regional differences in reimbursement by commercial and governmental payors, along with variations in the costs of living, may cause physicians to avoid locating their practices in communities with low reimbursement or high living costs. Hospitals and health systems may be required to invest additional resources in recruiting and retaining physicians, or may be compelled to affiliate with, and provide support to, physicians in order to continue serving the growing population base and maintain market share. The physician-to-population ratios in certain parts of California are below the national average, and the shortage of physicians could become a significant issue for hospitals and health care systems there.

Section 340B Drug Pricing Program. Hospitals that participate (as “covered entities”) in the prescription drug discount program established under Section 340B of the federal Public Health Service Act (the “340B Program”) are able to purchase certain outpatient prescription drugs for their patients at a reduced cost. On August 28, 2015 the Health Resources and Services Administration published proposed 340B Drug Pricing Program Omnibus Guidance in the Federal Register, 80 Fed. Reg. 52300 (“Proposed Guidance”). If adopted in its current form, the Proposed Guidance could restrict the ability of hospitals to purchase drugs under the 340B Program. The Corporation does not now participate in the 340B Program.

Competition Among Health Care Providers. Increased competition from a wide variety of sources, including specialty hospitals, other hospitals and health care systems, HMOs, inpatient and outpatient health care facilities, long-term care and skilled nursing services facilities, telehealth providers, clinics, physicians and others, may adversely affect the utilization and revenues of hospitals. Existing and potential competitors may not be subject to various restrictions applicable to hospitals, which in some cases may enable them to pick only the most profitable service lines, and competition, in the future, may arise from new sources not currently anticipated or prevalent.

Specialty hospital developments that attract away an important segment of an existing hospital's admitting specialists may be particularly damaging. Freestanding ambulatory surgery centers may attract away significant commercial outpatient services traditionally performed at hospitals. Commercial outpatient services, currently among the most profitable services for hospitals, may be lost to competitors who can provide these services in an alternative, less costly setting. Full-service hospitals rely upon the revenues generated from commercial outpatient services to fund other less profitable services, and the decline of such business may result in the significant reduction of profitable income. Competing ambulatory surgery centers, more likely for-profit businesses, may not accept indigent patients or low paying programs and would leave these populations to receive services in the full-service hospital setting. Consequently, hospitals are vulnerable to competition from ambulatory surgery centers.

Also, increasingly, payors are entering into narrow network contracts that exclude from participation in the network all providers who are not in the narrow network. Payors also enter into exclusive contracts with certain payors from time to time. In addition, increasingly, providers are pursuing ownership interest in health insurance companies that may exclude non-owner providers from certain products. The net effect of these practices, singularly or in the aggregate, may be to foreclose the Corporation from a material portion of covered lives and could have a material adverse effect on the Corporation.

Additionally, scientific and technological advances, new procedures, drugs and appliances, preventive medicine and outpatient health care delivery may reduce utilization and revenues of hospitals in the future or otherwise lead to new avenues of competition. In some cases, hospital investment in facilities and equipment for capital-intensive services may be lost as a result of rapid changes in diagnosis, treatment or clinical practice brought about by new technology or new pharmacology.

See APPENDIX A – "INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES – SERVICE AREA AND COMPETITION" a description of key competitors of the Corporation.

Action by Consumers and Purchasers of Hospital Services. Major purchasers of hospital services could take action to restrain hospital charges or charge increases. As a result of increased public scrutiny, it is also possible that the pricing strategies of hospitals may be perceived negatively by consumers, and hospitals may be forced to reduce fees for their services. Decreased utilization could result, and hospitals' revenues may be negatively impacted. In addition, consumers and groups on behalf of consumers are increasing pressure for hospitals and other health care providers to be transparent and provide information about cost and quality of services that may affect future consumer choices about where to receive health care services.

Employer Status. Hospitals are major employers with mixed technical and nontechnical workforces. Labor costs, including salaries, benefits and other liabilities associated with a workforce, have significant impacts on hospital operations and financial condition. Developments affecting hospitals as major employers include: (i) imposing higher minimum or living wages; (ii) enhancing occupational health and safety standards; and (iii) penalizing employers of undocumented immigrants. Legislation or regulation on any of the above or related topics could have a material adverse impact on the Corporation.

Labor Relations and Collective Bargaining. Hospitals are large employers with a wide diversity of employees. Increasingly, employees of hospitals are becoming unionized, and many hospitals have collective bargaining agreements with one or more labor organizations. Employees who are subject to collective bargaining agreements may include essential nursing and technical personnel, as well as food service, maintenance and other trade personnel. Renegotiation of such agreements upon expiration may result in significant cost increases to hospitals. Employee strikes or other adverse labor actions may have an adverse impact on operations, revenue and

hospital reputation. See APPENDIX A – “INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES – OTHER INFORMATION – Employees” for a list of the labor organizations that currently represent the majority of the Corporation’s employees.

Class Actions and Litigation. Hospitals and health systems have long been subject to a wide variety of litigation risks, including liability for care outcomes, employer liability, property and premises liability, and peer review litigation with physicians, among others. Consumer class action litigation is a potentially significant source of litigation liability for hospitals and health systems. These class action suits have most recently focused on hospital billing and collections practices and breaches of privacy, and they may be used for a variety of currently unanticipated causes of action. Since the subject matter of class action suits may involve uninsured risks, and since such actions often involve alleged large classes of plaintiffs, they may have material adverse consequences on hospitals and health systems in the future.

Federal law and many states, including notably California, impose standards related to worker classification, eligibility and payment for overtime, liability for providing rest periods and other similar requirements. Large employers with complex workforces, such as health care systems may be subject to claims regarding actual and alleged violations of these standards. In recent years there has been a proliferation of lawsuits over these “wage and hour” issues, often in the form of large, sometimes multi-state, class actions. For large employers, such as hospitals and health care systems, such class actions can involve multi-million dollar claims, judgments, and settlements. A major class action decided or settled adversely to the Corporation could have a material adverse impact on the financial conditions and results of operations.

Implantable Cardioverter Defibrillators Investigations. In 2010, the DOJ served subpoenas on and issued letters to a number of hospitals and health systems across the country as part of a fraud investigation into whether hospitals billed Medicare for implantable cardioverter defibrillators (“ICD”) for patients whose conditions did not satisfy coverage criteria set forth in CMS National Coverage Determination. As the investigation is being conducted under the FCA, those targeted by the government are at risk for significant damages under the FCA’s treble damages and civil penalties provision. The Corporation has not received a subpoena or contact from the DOJ with respect to this matter.

Health Care Worker Classification. Health care providers, like all businesses, are required to withhold income taxes from amounts paid to employees. If the employer fails to withhold the tax, the employer becomes liable for payment of the tax imposed on the employee. On the other hand, businesses are not generally required to withhold federal taxes from amounts paid to a worker classified as an independent contractor. The IRS has established criteria for determining whether a worker is an employee or an independent contractor for tax purposes. If the IRS were to reclassify a significant number of hospital independent contractors (e.g., physician medical directors) as employees, back taxes and penalties could be material.

Staffing. From time to time, the health care industry suffers from a scarcity of nursing personnel, respiratory therapists, pharmacists and other trained health care and information system technicians. In addition, aging medical staffs and difficulties in recruiting individuals to the medical profession are predicted to result in physician shortages. A significant factor underlying this trend includes a decrease in the number of persons entering such professions. This is expected to intensify in the future, aggravating the general shortage and increasing the likelihood of hospital-specific shortages. In addition, state budget cuts to university programs may impact the training available for nursing personnel and other health care professionals. Competition for physicians and other health care professionals, coupled with increased recruiting and retention costs, will increase hospital operating costs, possibly significantly, and growth may be constrained. This trend could have a material adverse impact on the financial condition and results of operation of hospitals and other health care facilities. This scarcity may further be intensified if utilization of health care services increases as a consequence of the ACA’s expansion of the number of insured consumers. As reimbursement amounts are reduced to health care facilities and organizations that employ or contract with physicians, nurses and other health care professionals, pressure to control and possibly reduce wage and benefit costs may further strain the supply of those professionals.

Professional Liability Claims and General Liability Insurance. In recent years, the number of professional and general liability suits and the dollar amounts of damage recoveries have increased in health care nationwide, resulting in substantial increases in malpractice insurance premiums, higher deductibles and generally less coverage. Professional liability and other actions alleging wrongful conduct and seeking punitive damages are often filed against health care providers. Insurance does not provide coverage for judgments for punitive damages.

Beginning in 2008, CMS refused to reimburse hospitals for medical costs arising from certain “never events,” which include specific preventable medical errors. Certain private insurers and HMOs followed suit. The occurrence of “never events” is more likely to be publicized and may negatively impact a hospital’s reputation, thereby reducing future utilization and potentially increasing the possibility of liability claims.

Litigation also arises from the corporate and business activities of hospitals, from a hospital’s status as an employer or as a result of medical staff or provider network peer review or the denial of medical staff or provider network privileges. As with professional liability, many of these risks are covered by insurance, but some are not. For example, some antitrust claims or business disputes are not covered by insurance or other sources and may, in whole or in part, be a liability of the Corporation if determined or settled adversely.

There is no assurance that hospitals will be able to maintain coverage amounts currently in place in the future, that the coverage will be sufficient to cover malpractice judgments rendered against a hospital or that such coverage will be available at a reasonable cost in the future.

Information Technology. The ability to adequately price and bill health care services and to accurately report financial results depends on the integrity of the data stored within information systems, as well as the operability of such systems. Information systems require an ongoing commitment of significant resources to maintain, protect and enhance existing systems and develop new systems to keep pace with continuing changes in information processing technology, evolving systems and regulatory standards. There can be no assurance that efforts to upgrade and expand information systems capabilities, protect and enhance these systems, and develop new systems to keep pace with continuing changes in information processing technology will be successful or that additional systems issues will not arise in the future.

Electronic media are also increasingly being used in clinical operations, including the conversion from paper to electronic medical records, computerization of order entry functions and the implementation of clinical decision-support software. The reliance on information technology for these purposes imposes new expectations on physicians and other workforce members to be adept in using and managing electronic systems. It also introduces risks related to patient safety, and to the privacy, accessibility and preservation of health information. See “Regulatory Environment” above. Technology malfunctions or failure to understand and use information systems properly could result in the dissemination of or reliance on inaccurate information, as well as in disputes with patients, physicians and other health care professionals. Health information systems may also be subject to different or higher standards or greater regulation than other information technology or the paper-based systems previously used by health care providers, which may increase the cost, complexity and risks of operations. All of these risks may have adverse consequences on hospitals and health care providers.

Future government regulation and adherence to technological advances could result in an increased need of the Corporation to implement new technology. Such implementation could be costly and is subject to cost overruns and delays in application, which could negatively affect the financial condition of the Corporation.

Affiliations, Merger, Acquisition and Divestiture

The Corporation evaluates and pursues potential acquisition, merger and affiliation candidates as part of the overall strategic planning and development process. As part of its ongoing planning and property management functions, the Corporation reviews the use, compatibility and business viability of many of the operations of the Corporation, and from time to time the Corporation may pursue changes in the use of, or disposition of, its facilities. Likewise, the Corporation occasionally receives offers from, or conducts discussions with, third parties about the potential acquisition of operations and properties which may become subsidiaries or affiliates of the Corporation in

the future, or about the potential sale of some of the operations or property which are currently conducted or owned by the Corporation. Discussion with respect to affiliation, merger, acquisition, disposition or change of use of facilities are held from time to time with other parties. These may be conducted with acute care hospital facilities and may be related to potential affiliation with the Corporation. As a result, it is possible that the current organization and assets of the Corporation may change from time to time. Subject to the limitations contained in the Master Indenture, the assets of the Obligated Group could be disposed of or change from time to time, and it is possible that new entities could be added to the Obligated Group in the future. [See APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS – MASTER INDENTURE – Particular Covenants of Each Member of the Obligated Group – *Limitation on Disposition of Assets*” and “– *Merger, Consolidation, Sale or Conveyance*.”]

In addition to relationships with other hospitals and physicians, the Corporation may consider investments, ventures, affiliations, development and acquisition of other health care-related entities. These may include home health care, long-term care entities or operations, infusion providers, pharmaceutical providers, and other health care enterprises that support the overall operations of the Corporation. In addition, the Corporation may pursue transactions with health insurers, HMOs, preferred provider organizations, third-party administrators and other health insurance-related businesses. Because of the integration occurring throughout the health care field, management will consider these arrangements if there is a perceived strategic or operational benefit for the Corporation. Any initiative may involve significant capital commitments and/or capital or operating risk (including, potentially, insurance risk) in a business in which the Corporation may have less expertise than in hospital operations. There can be no assurance that these projects, if pursued, will not lead to material adverse consequences to the Corporation.

Tax-Exempt Status and Other Tax Matters

Maintenance of the Tax-Exempt Status of the Corporation. The tax-exempt status of the Bonds and other outstanding tax-exempt debt issued for the benefit of the Corporation depends upon maintenance by the Corporation of its status as an organization described in Section 501(c)(3) of the Code. The maintenance of such status is dependent on compliance by the Corporation with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including its operation for charitable and other permissible purposes and its avoidance of transactions that may cause its earnings or assets to inure to the benefit of private individuals. As these general principles were developed primarily for public charities that do not conduct large-scale technical operations and business activities, they often do not adequately address the myriad of operations and transactions entered into by a modern health care organization. Although traditional activities of health care providers, such as medical office building leases, have been the subject of interpretations by the IRS in the form of private letter rulings, many activities or categories of activities have not been fully addressed in any official opinion, interpretation or policy of the IRS.

The IRS has taken the position that hospitals which are in violation of the Anti-Kickback Law may also be subject to revocation of their tax-exempt status. See “Regulatory Environment – Anti-Kickback Law” above. As a result, tax-exempt hospitals, such as the Corporation, which have, and will continue to have, extensive transactions with physicians are subject to an increased degree of scrutiny and perhaps enforcement by the IRS.

The Corporation participates in a variety of joint ventures and transactions with physicians either directly or indirectly. Management of the Corporation believes that the joint ventures and transactions to which the Corporation is a party are consistent with the requirements of the Code as to tax-exempt status, but, as noted above, there is uncertainty as to the state of the law.

The ACA also contains new requirements for tax-exempt hospitals through Code Section 501(r). Under the ACA, each tax-exempt hospital facility is required to (i) conduct a community health needs assessment at least once every three years and adopt an implementation strategy to meet the identified community needs, (ii) adopt, implement and widely publicize a written financial assistance policy that contains the statutory and regulatory required minimums and a policy to provide emergency medical treatment without discrimination, (iii) limit charges to individuals who qualify for financial assistance under such tax-exempt hospital’s financial assistance policy to no more than the amounts generally billed to individuals who have insurance covering such care and refrain from using

“gross charges” when billing such individuals, and (iv) refrain from taking extraordinary collection actions without first making reasonable efforts to determine whether the individual is eligible for assistance under such tax-exempt hospital’s financial assistance policy.

On December 29, 2014, the Secretary of the Treasury issued final regulations under Section 501(r) of the Code that provide detailed and comprehensive guidance relating to requirements for community health needs assessments, financial assistance policies, emergency medical care policies, limitations on charges and billing and collection practices, and also provide guidance on consequences of failure to satisfy Section 501(r) requirements. These final regulations are complex and may be administratively burdensome to implement. Generally, the regulations apply to tax years beginning after December 29, 2015, and provide that a hospital organization may rely on a reasonable, good faith interpretation of the Section 501(r) requirements for tax years beginning on or before December 29, 2015, which may include compliance with certain prior proposed regulations under Section 501(r).

In addition, the Treasury Department is required to review information about a hospital’s community benefit activities at least once every three years, as well as to submit an annual report to Congress with information regarding the levels of charity care, bad debt expenses, unreimbursed costs of government programs, and costs incurred by tax-exempt hospitals for community benefit activities. The periodic reviews and reports to Congress regarding the community benefits provided by 501(c)(3) hospitals may increase the likelihood that Congress will require such hospitals to provide a minimum level of charity care in order to retain tax-exempt status and may increase IRS scrutiny of particular 501(c)(3) hospital organizations.

The IRS has periodically conducted audit and other enforcement activity regarding tax-exempt health care organizations. Certain audits are conducted by teams of revenue agents, often take years to complete and require the expenditure of significant staff time by both the IRS and the audited organizations. These audits examine a wide range of possible issues, including tax-exempt bond financing, partnerships and joint ventures, unrelated business income, retirement plans, employee benefits, employment taxes, political contributions and other matters.

If the IRS were to find that the Corporation has participated in activities in violation of certain regulations or rulings, the tax-exempt status of the Corporation could be jeopardized. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit health care organizations, it could do so in the future. Loss of tax-exempt status by the Corporation potentially could result in loss of tax exemption of the Bonds and any other tax-exempt debt of the Corporation and defaults in covenants of the Bonds and other related tax-exempt debt and obligations likely would be triggered. Loss of tax-exempt status also could result in substantial tax liabilities on income of the Corporation. Loss of tax-exempt status of the Corporation could have a material adverse effect on the financial condition and results of operations of the Corporation.

In some cases, the IRS has imposed substantial monetary penalties on tax-exempt hospitals in lieu of revoking their tax-exempt status. In those cases, the IRS and exempt hospitals entered into settlement agreements requiring the hospital to make substantial payments to the IRS. Given the wide range of complex transactions entered into by the Corporation, and potential exemption risks, the Corporation could be at risk for incurring monetary and other liabilities or penalties imposed by the IRS.

In lieu of revocation of exempt status, the IRS may impose a penalty in the form of excise taxes on certain “excess benefit transactions” involving 501(c)(3) organizations and “disqualified persons.” An excess benefit transaction is one in which a disqualified person or entity receives more than fair market value from the exempt organization or pays the exempt organization less than fair market value for property or services, or shares the net revenues of the tax-exempt entity. A disqualified person is a person (or an entity) who is in a position to exercise substantial influence over the affairs of the exempt organization during the five years preceding an excess benefit transaction. The statute imposes excise taxes on the disqualified person and any “organization manager” who knowingly participates in an excess benefit transaction. These rules do not penalize the exempt organization itself, so there would be no direct impact on the Corporation or the tax status of the Bonds or any other tax-exempt debt issued for the benefit of the Corporation if an excess benefit transaction were subject to IRS enforcement, pursuant to these “intermediate sanctions” rules.

State and Local Tax Exemption. Until recently, the State of California has not been as active as the IRS in scrutinizing the income tax exemption of health care organizations. With some overlap with the ACA's mandates, California laws also require tax-exempt hospitals to conduct community needs assessment, to adopt implementation strategy and to have a charity care policy. It is possible that legislation may be proposed to strengthen the role of the California Franchise Tax Board and the California Attorney General in supervising nonprofit health systems. It is likely that the loss by the Corporation of federal tax exemption would also trigger a challenge to its state tax-exemptions. Depending on the circumstances, such event could be material and adverse to the Corporation.

State, county and local taxing authorities undertake audits and reviews of the operations of tax-exempt health care providers with respect to their real property tax exemptions. In some cases, particularly where authorities are dissatisfied with the amount of services provided to indigents, the real property tax-exempt status of the health care providers has been questioned. Subjecting significant amounts of real property to taxation could adversely affect health care organizations. The majority of the real property of the Corporation is currently treated as exempt from real property taxation. The Corporation's real property has been examined by Santa Clara County and Santa Clara County determined that certain real estate leased to physicians was subject to property tax. Although the real property tax exemption of the Corporation with respect to their core hospital facilities has not, to the knowledge of management, been under challenge or investigation, an audit could lead to a challenge that could adversely affect the real property tax exemption of the Corporation.

It is not possible to predict the scope or effect of future state and local legislative or regulatory actions with respect to taxation of nonprofit corporations. There can be no assurance that future changes in the laws and regulations of state or local governments will not materially adversely affect the financial condition of the Corporation, by requiring payment of income, local property or other taxes.

Maintenance of Tax-Exempt Status of Interest on the Bonds. The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and bond-financed property, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States Treasury, and a requirement that the issuer file an information report with the IRS. The Corporation has covenanted in the Loan Agreement that it will comply with such requirements. Future failure by the Corporation to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the Bonds as taxable, retroactively to the date of issuance. In such event, the Bonds are not subject to redemption solely as a consequence of such adverse tax determination. The Authority has covenanted in the Bond Indenture that it will not take any action or refrain from taking any action that would cause interest on the Bonds to be included in gross income for federal income tax purposes.

IRS officials have indicated that more resources will be invested in audits of tax-exempt bonds, including the use of bond proceeds, in the charitable organization sector, with specific review of private use. In addition, under its compliance check program initiated in 2007, the IRS has from time to time sent post-issuance compliance questionnaires to several hundred nonprofit corporations that had borrowed on a tax-exempt basis regarding their post-issuance compliance with various requirements for maintaining the federal tax exemption of interest on their bonds. The questionnaire included questions relating to the borrower's (i) record retention, which the IRS has particularly emphasized, (ii) qualified use of bond-financed property, (iii) compliance with arbitrage yield restriction and rebate requirements, (iv) debt management policies, and (v) voluntary compliance and education. After analyzing responses, IRS representatives indicated that it had commenced a number of examinations of hospital tax-exempt bond issues with wide-ranging areas of inquiry. In the final report summarizing findings and conclusions of the questionnaire responses, issued July 1, 2011, the IRS stressed the importance of formal post-issuance compliance and recordkeeping procedures, which, once implemented, borrower should periodically review. Additional questionnaires may in the future be sent to additional nonprofit organizations.

Effective with the 2008 tax year, tax-exempt organizations must also complete new schedules to IRS Form 990-Return of Organizations Exempt From Income Tax, which create additional reporting responsibilities. On Schedule H, hospitals and health systems must report how they provide community benefit and specify certain billing

and collection practices. Schedule K requires detailed information related to certain outstanding bond issues of tax-exempt borrowers, including information regarding operating, management and research contracts as well as private use compliance. Tax-exempt organizations must also complete Schedule J, which requires reporting of compensation information for the organizations' officers, directors, trustees, key employees, and other highly compensated employees.

The Corporation is not obligated to file a Form 990. The Corporation files a Form 990T when required. There can be no assurance that responses by the Corporation to an IRS examination or questionnaire, or Form 990T, will not lead to an IRS review that could adversely affect the tax-exempt status or the market value of the Bonds or of any other outstanding tax-exempt indebtedness of the Obligated Group. Additionally, the Bonds or other tax-exempt obligations issued for the benefit of the Corporation may be, from time to time, subject to examinations or audits by the IRS.

In addition, current and future legislative proposals, if enacted into law, could cause interest on the Bonds to be subject to federal income taxation or state income taxation. See "TAX MATTERS" herein.

The Corporation believes that the Bonds properly comply with the tax laws. In addition, on the date of issuance of the Bonds, Bond Counsel will render an opinion with respect to the tax-exempt status of the Bonds, as described under the caption "TAX MATTERS." No private letter ruling with respect to the Bonds has been or will be sought from the IRS, however, and opinions of counsel are not binding on the IRS or the courts. There can be no assurance that an examination of the Bonds will not adversely affect the Bonds or the market value of the Bonds, or that future legislative actions, regulations, rulings or court decisions will not limit or eliminate the tax-exempt status or affect the market value of the Bonds. See "TAX MATTERS" herein.

Limitations on Contractual and Other Arrangements Imposed by the Internal Revenue Code. As a tax-exempt organization, the Corporation is limited with respect to its use of practice income guarantees, reduced rent on medical office space, low interest loans, joint venture programs and other means of recruiting and retaining physicians. Uncertainty in this area has been reduced somewhat by the issuance by the IRS of guidelines on permissible physician recruitment practices. The IRS scrutinizes a broad variety of contractual relationships commonly entered into by hospitals and has issued a detailed audit guide suggesting that field agents scrutinize numerous activities of the hospitals in an effort to determine whether any action should be taken with respect to limitations on or revocation of their tax-exempt status or assessment of additional tax. Any suspension, limitation, or revocation of the Corporation's tax-exempt status or assessment of significant tax liability would have a materially adverse effect on the Corporation and might lead to loss of tax exemption of interest on the Bonds and any other tax-exempt debt of the Corporation.

Cost of Capital. From time to time, Congress has considered and is considering revisions to the Internal Revenue Code that may prevent or limit access to the tax-exempt debt market to borrowers or issuers such as the Corporation. Such legislation, if enacted into law, may have the effect of increasing the capital costs of the Corporation.

Other Risk Factors

Earthquakes. A significant earthquake in Northern California could destroy or disable facilities of the Corporation.

Compliance with Seismic Standards. California's Hospital Seismic Safety Act (the "Seismic Safety Act") requires each hospital building in the State of California used for acute care purposes either to comply with new hospital seismic safety standards on or before a deadline specified by the State of California or to cease acute care operations in noncompliant buildings. The deadlines and requirements for compliance for an acute care building depend on whether the building is within two of five classifications established by the state. Classification is a factor of the earthquake risk in the facility's geographic area and the structural attributes of the building. The original Seismic Safety Act required hospital buildings in the highest category of risk (those that are determined to be a potential risk of collapse or pose significant loss of life in the event of an earthquake) to be replaced or retrofitted to

higher seismic safety standards by 2008. Also, the legislation imposed a separate more rigorous set of seismic standards that become effective in 2030 for acute care facilities. The Seismic Safety Act has been amended on multiple occasions to extend deadlines and modify requirements.

Generally, owners of hospitals could apply for and obtain extensions from 2008 to 2013. Subsequent legislation allowed for further extensions up to two years to January 1, 2015 under certain circumstances and extensions beyond that in cases where more stringent criteria were met.

For information about the seismic compliance status of the Corporation's facilities, see APPENDIX A – "INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES – HOSPITAL FACILITIES AND SERVICES – Status of Seismic Compliance."

Risks Related to Variable Rate Obligations. The Series 2009A Bonds secured by a Master Indenture Obligation are variable interest rate obligations, the interest rates on which could rise. Such interest rates vary on a periodic basis and may be converted to a fixed interest rate. This protection against rising interest rates is limited, however, because the Corporation would be required to continue to pay interest at the variable rate until it is permitted to convert the obligations to a fixed rate pursuant to the terms of the applicable transaction documents. Previous credit market turmoil in the auction rate markets and dislocation among various bond insurers and swap providers previously triggered suddenly high interest costs to many health care organizations holding debt with interest rates that varied on a periodic basis.

In addition, the Series 2009A Bonds are subject to optional and mandatory tender for purchase under certain circumstances. A Master Indenture Obligation has previously been issued to the provider of the credit facility supporting the Series 2009A Bonds. This agreement with such credit facility provider includes representations and covenants by the Corporation in addition to those included in the Master Indenture. The breach of a provision of any such agreement could result in the declaration of an event of default under such agreement and, under certain circumstances, could result in the declaration by the Master Trustee of an event of default under the Master Indenture. The additional covenants in this agreement may be waived or amended by the credit facility provider without the consent of, or any notice to, the Master Trustee, the Bond Trustee or the holders of the Bonds. Upon the occurrence of an event of default under this agreement, the outstanding amount due under such agreement could be declared immediately due and payable. The acceleration of amounts due under this agreement could have a material adverse effect on the cash position and financial condition of the Corporation.

Economic conditions affecting the credit markets resulted in a number of financial institutions restricting lending, including the extension of liquidity and credit facilities. This also resulted in the unwillingness of financial institutions to extend the term of existing liquidity facilities. No assurance can be given that the Corporation's existing liquidity facility provider will renew the existing liquidity facility or that the Corporation will be able to obtain an alternate liquidity facility for the Series 2009A Bonds. No assurance can be given that the liquidity facility provider will provide funds to purchase tendered Series 2009A Bonds or honor draws on the liquidity facility to fund such purchases. Any funds advanced by the bank for purchase of such bonds would generally bear interest at rates higher than the rates borne by the Series 2009A Bonds held by the public and would be subject to repayment by the Obligated Group over a shorter term than required by the scheduled terms of the Series 2009A Bonds.

The ability of a bondholder to tender its Series 2009A Bonds for purchase is dependent on the ability of the remarketing agent to remarket tendered Series 2009A Bonds or the ability of the liquidity provider to purchase such bonds or the ability of the borrower (in this case, the Corporation) to provide its own funds to purchase such bonds. Any upheavals in the financial markets may make the ability to remarket Series 2009A Bonds difficult or impossible. The inability to remarket a material amount of Series 2009A Bonds tendered for purchase could have a material adverse effect on the cash position and financial condition of the Obligated Group.

Risks Related to Interest Rate Swaps. Interest rate swaps have experienced negative trading patterns, causing many to cease to function effectively to hedge interest rate exposure. Some swap counterparties have ceased to exist and others have suffered downgrading and negative market perception. Further, certain swap arrangements may be terminated by the counterparty and many may not be terminable except upon the payment of potentially

significant termination fees by the borrowing party. In some cases, negative “mark-to-market” valuation of certain swap arrangements must be booked on a borrower’s balance sheet. These factors may have a material adverse impact on health systems involved in such arrangements. Pursuant to the swap arrangement, the counterparty will be obligated to make payments to the Corporation, which payments may be more or less than the interest rates the Corporation is required to pay with respect to a comparable principal amount of the related indebtedness. No determination can be made at this time as to the potential exposure to the Corporation relating to the difference in variable rate payments.

The interest rate swap of the Corporation is secured under the Master Indenture. The Corporation may in the future enter into additional interest rate swap agreements and other financial product and hedge devices that are also secured under the Master Indenture.

For a discussion of the Corporation’s swap arrangement, see APPENDIX A – “INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES – SELECTED UTILIZATION AND FINANCIAL INFORMATION – Interest Rate Swap.”

Contributions. The Corporation regularly receives substantial contributions from the Foundation and members of the local community. While the Corporation has an active contribution development program, there can be no assurances that the Corporation will be the recipient of substantial contributions in the future.

Investments. The Corporation has significant holdings in a broad range of investments. Market fluctuations may affect the value of those investments and those fluctuations may be material. For a discussion of the Corporation’s investments, see APPENDIX A – “INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES – MANAGEMENT’S DISCUSSION OF FINANCIAL OPERATIONS – Investment.”

Pension and Benefit Funding. As large employers, hospitals may incur significant expenses to fund pension and benefit plans for employees and former employees, and to fund required workers’ compensation benefits. Plans are often underfunded, or may become underfunded and funding obligations in some cases may be erratic or unanticipated and may require significant commitments of available cash needed for other purposes. See also APPENDIX A – “INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES – OTHER INFORMATION – Employee Benefit Plans” and “– Post Retirement Medical Benefits.”

Construction Risks. The Corporation is currently undertaking construction projects, including certain of the projects to be financed with proceeds of the Bonds, and are expected to undertake additional projects in the future. Construction projects are subject to a variety of risks, including but not limited to strikes, shortages of materials and labor, adverse weather conditions, and delays in issuance of required building permits or other necessary approvals or permits, including environmental approvals. Such events could delay occupancy. The anticipated costs and construction period for projects are based upon budgets, conceptual design documents and construction schedule estimates prepared by the Corporation in consultation with the Corporation’s architects, contractors and consultants. The cost of any project may vary significantly from initial expectations, and there may be a limited amount of capital resources to fund cost overruns. Cost overruns may occur due to change orders, delays in the construction schedule, scarcity of building materials and labor or other factors and could cause the costs to exceed available funds and completion of projects to be postponed until adequate funding is available. The completion dates of any of the projects could also differ significantly from expectations for construction-related or other reasons. Assurances cannot be given that any project will be completed, if at all, on time or within established budgets, or that any project will result in increased earnings. Significant delays, cost overruns or downsizing of the construction or renovation projects could have a material adverse effect on the Corporation’s business, financial condition and results of operations. Cost overruns could cause the costs to exceed available funds. See APPENDIX A – “INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES – HOSPITAL FACILITIES AND SERVICES – Capital Facilities Expenditures.”

In addition, no assurances can be given that the construction and renovation of hospital facilities will not disrupt the ongoing operations of the Corporation or that it will be implemented as planned. Therefore, the

construction and renovation of hospital facilities may adversely impact the ongoing business, operations and revenues of the Corporation.

Bond Ratings. There is no assurance that the ratings assigned to the Bonds will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the Bonds. See “RATINGS” herein.

Marketability of the Bonds. There is no assurance as to the liquidity of markets that may develop for the Bonds, the ability of beneficial owners to sell the Bonds or the price at which beneficial owners would be able to sell the Bonds. Neither the Underwriter nor any other financial institution is obligated to make a market in the Bonds, and any financial institution that does so may discontinue its market-making activities at any time without notice. Any market for the Bonds may be subject to disruption which could adversely affect the prices at which beneficial owners may sell the Bonds. The Bonds may trade at a discount from their original purchase prices depending upon interest rates, the market for obligations similar to the Bonds, the financial condition of the Corporation and other factors.

Amendments to Master Indenture, Loan Agreement and Bond Indenture. The Obligated Group Members and the Master Trustee may modify the provisions of the Master Indenture in certain instances without the consent of the holders of Master Indenture Obligations and in other instances subject to the nature of the amendment(s), one of the following: the consent of the holders of not less than a majority in aggregate principal amount of the Outstanding Obligations issued under the Master Indenture, the consent of the holder of the Obligation affected by such amendment(s) or the consent of all holders of Outstanding Obligations issued under the Master Indenture. With respect to amendment(s), the holders of the requisite percentage of Outstanding Obligations may be composed wholly or partially of the holders of Obligations other than Obligation No. 6, and such amendment(s) may adversely affect the interests of the holder of Obligation No. 6. See APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS – MASTER INDENTURE – Supplements and Amendments – Supplements Not Requiring Consent of Holders” and “– Supplements Requiring Consent of Holders.”

Certain amendments to the Loan Agreement and Bond Indenture may be made without Bondholder consent or with the consent of the owners of not less than a majority of the outstanding aggregate principal amount of the Bonds. Such amendments that are subject to consent of Bondholders may adversely affect the security for the Bonds. APPENDIX C – “SUMMARY OF PRINCIPAL DOCUMENTS – BOND INDENTURE – Amendment of Loan Agreement” and “–Modification or Amendment of Bond Indenture.”

Other Future Risks. In the future, the following factors, among others, may adversely affect the operations of health care providers, including the Corporation, or the market value of health care revenue bonds, including the Bonds, to an extent that cannot be determined at this time:

- (1) Adoption of legislation or implementation of regulations that would modify national or state health programs or that would establish national, statewide, local or otherwise regulated rates applicable to hospitals and other health care providers.
- (2) Reduced demand for the services of the Corporation’s health facilities that might result from decreases in population or loss of market share to competitors.
- (3) Bankruptcy of an indemnity/commercial insurer, managed care plan or other payor.
- (4) Efforts by insurers, employers and governmental agencies to limit the cost of health care services, to reduce the number of hospital beds or other ancillary services, and to reduce the utilization of health facilities by such means as prescribed protocols, preventive medicine, improved occupational health and safety and outpatient care or comparable regulations or attempts by third-party payors to control or restrict the operations of certain health care facilities.

(5) Cost and availability of any insurance, such as professional liability, fire, automobile and general comprehensive liability coverages, which health care facilities of a similar size and type generally carry.

(6) Limitations on the availability of, and increased compensation necessary to secure and retain, nursing, technical and other professional personnel.

(7) The occurrence of a natural or man-made disaster, a pandemic or an epidemic that could damage the Corporation's health care facilities, interrupt utility service or access to the facilities, result in an abnormally high demand for health care services or otherwise impair the Corporation's operations or the generation of revenues from the facilities.

CONTINUING DISCLOSURE

Since the Bonds are limited obligations of the Authority, payable solely from amounts received from the Corporation, financial or operating data concerning the Authority is not material to an evaluation of the offering of the Bonds or to any decision to purchase, hold or sell the Bonds, and the Authority is not providing any such information. The Corporation has undertaken all responsibilities for any continuing disclosure to Holders of the Bonds, as described below, and the Authority shall have no liability to the Holders of the Bonds or any other person with respect to Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule").

The Corporation has covenanted for the benefit of Owners and Beneficial Owners of the Bonds to provide to the Municipal Securities Rule Making Board (the "MSRB"), or cause its dissemination agent, to provide to the MSRB, (i) certain financial information and operating data relating to the Corporation and any other Member of the Obligated Group, by not later than six months following the end of the Corporation's fiscal year (referred to as the "Annual Report"), commencing with the report for the fiscal year ended [June 30, 2017], and (ii) notices of the occurrence of certain enumerated events.

The Corporation, additionally has covenanted to provide, or cause to be provided, to the MSRB, not later than 60 days after the end of each of the first three fiscal quarters of each fiscal year, commencing with the fiscal quarter ended December 31, 2016, unaudited financial information for the Corporation for such fiscal quarter, including a statement of net position and a statement of revenues, expenses, and changes in net position and certain additional financial and operating information as described further in APPENDIX E – "PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT."

The Annual Report and the notices of enumerated events will be filed with the Electronic Municipal Market Access system ("EMMA") of the MSRB. See APPENDIX E – "PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT" for the specific nature of the information to be contained in the Annual Report and the notices of enumerated events. These covenants have been made in order to assist the Underwriter in complying with the Rule.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each

Beneficial Owner thereof, is treated as interest on such Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of such Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority and the Corporation have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

In addition, Bond Counsel has relied, among other things, on the opinion of Buchalter Nemer, A Professional Corporation, counsel to the Corporation, regarding the current qualification of the Corporation as an organization described in Section 501(c)(3) of the Code. Such opinion is subject to a number of qualifications and limitations. Bond Counsel has also relied upon representations of the Corporation concerning the Corporation's "unrelated trade or business" activities as defined in Section 513(a) of the Code. Neither Bond Counsel nor counsel to the Corporation has given any opinion or assurance concerning Section 513(a) of the Code and neither Bond Counsel nor counsel to the Corporation can give or has given any opinion or assurance about the future activities of the Corporation, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the IRS. Failure of the Corporation to be organized and operated in accordance with the IRS's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities financed by the Bonds in a manner that is substantially related to the Corporation's charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the Bonds being included in federal gross income, possibly from the date of the original issuance of the Bonds.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the Corporation, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the Corporation have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the Corporation or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the Corporation and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in, the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the Corporation legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Authority, the Corporation or the Beneficial Owners to incur significant expense.

APPROVAL OF LEGALITY

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A complete copy of the proposed form of Bond Counsel opinion is set forth as APPENDIX D hereto. Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel, will provide certain other legal services for the Authority. Orrick, Herrington & Sutcliffe LLP undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain other legal matters will be passed upon for the Authority by the Attorney General of the State of California, for the Corporation by Buchalter Nemer, A Professional Corporation, San Francisco, California, for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, which firms also undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

INDEPENDENT AUDITORS

The consolidated financial statements of El Camino Healthcare District as of June 30, 2016 and 2015 and for the years then ended, included in Appendix B, have been audited by Moss Adams LLP, independent auditors, as stated in its report included in Appendix B. Moss Adams has not been engaged to perform and has not performed since the date of the report included in Appendix B, any procedures on the financial statements addressed in that report.

FINANCIAL ADVISOR

Ponder & Co. has served as financial advisor to the Corporation for purposes of assisting with the development and implementation of the capital plan and bond structure in connection with the Bonds. Ponder & Co. is an independent advisory firm and not engaged in the business of underwriting or distributing municipal securities

or other public securities. Ponder & Co. is not obligated to undertake, and has not undertaken, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

ABSENCE OF MATERIAL LITIGATION

The Corporation

There is no controversy or litigation of any nature now pending against the Corporation or, to the knowledge of its officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds, any proceedings of the Corporation taken concerning the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds. There can be no assurance, however, that future litigation will not have a material adverse effect on the Corporation.

As with most health care providers, the Corporation is subject to certain legal actions that, in whole or in part, are not or may not be covered by insurance (or reinsurance as to certain self-insured risks) because of the type of action or amount or types of damages requested (e.g., punitive damages), because of a reservation of rights by an insurance carrier, or because the action has not proceeded to a stage that permits full evaluation. [There are certain legal actions currently pending against the Corporation known to management for which insurance coverage is uncertain or inapplicable for the above reasons.] Management does not anticipate that any such suits will ultimately result in punitive damage awards or judgments in excess of applicable insurance limits, or if such awards or judgments were to be entered, that they would have a material adverse impact on the financial condition of the Corporation. See APPENDIX A – “INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES – OTHER INFORMATION – Litigation” and “– Regulatory Environment.”

[Other than as described above,] there is no litigation of any nature now pending against the Corporation or, to the knowledge of each Member’s respective officers, threatened, which, if successful, would materially adversely affect the operations or financial condition of the Corporation.

The Authority

To the knowledge of the officers of the Authority, there is no litigation of any nature now pending (with service of process having been accomplished) or threatened against the Authority, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds, any proceedings of the Authority taken concerning the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, or the existence or powers of the Authority relating to the issuance of the Bonds.

RATINGS

Standard & Poor’s Rating Service (“S&P”) and Moody’s Investors Service (“Moody’s”) have assigned the Bonds the municipal bond ratings of “[A+]” and “[A1]”, respectively. No application was made to any other rating agency for the purpose of obtaining additional ratings on the Bonds. Such ratings reflect only the views of such organizations, and any explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. The Corporation has furnished to such rating agencies certain information and materials concerning the Bonds and itself. Generally, rating agencies base their ratings on the information and materials furnished to them and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Except as set forth herein under “CONTINUING DISCLOSURE,” none of the Authority, the Underwriter, or the Corporation have undertaken any responsibility to bring to the attention of holders of the Bonds any proposed revision or withdrawal of the rating of the Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal

of such rating could have an adverse effect on the market price or marketability of the Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

UNDERWRITING

The Bonds are being purchased by Citigroup Global Markets Inc. (the “Underwriter”). Pursuant to the Purchase Contract for the Bonds, the Underwriter has agreed to purchase the Bonds at a purchase price of \$_____ (consisting of the aggregate principal amount of the Bonds of \$[PAR]*, plus original issue premium of \$_____, less an underwriter’s discount of \$_____). The Purchase Contract for the Bonds provides that the Underwriter will purchase all of the Bonds, if any are purchased, and contains the agreements of the Corporation to indemnify the Underwriter and the Authority against certain liabilities.

[Citigroup Global Markets Inc., the Underwriter of the Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. (“TMC”) and UBS Financial Services Inc. (“UBSFS”). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Bonds.]

The initial public offering price of the Bonds set forth on the inside cover page may be changed without notice by the Underwriter.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority and the Corporation for which they received or will receive customary fees and expenses.

In the ordinary course of its various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority or the Corporation.

MISCELLANEOUS

The foregoing and subsequent summaries or descriptions of provisions of the Bonds, the Bond Indenture, the Loan Agreement, the Master Indenture, Supplement No. 6 and Obligation No. 6 and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof, and reference is made to said documents for full and complete statements of their provisions. The appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Bond Indenture, the Loan Agreement, the Master Indenture, Supplement No. 6 and Obligation No. 6 may be obtained during the offering period upon request directed to the Underwriter and, thereafter, upon request directed to the corporate trust office of the Bond Trustee.

The information contained in this Official Statement has been compiled or prepared from information obtained from the Corporation and official and other sources deemed to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct as of the date of this Official Statement. The Authority furnished only the information contained under the captions “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION – The Authority” and, except for such information, makes no representation as to the adequacy, completeness or accuracy of this Official Statement or the information contained herein. Any statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

* Preliminary, subject to change.

This Official Statement has been delivered by the Authority and approved by the Corporation. This Official Statement is not to be construed as a contract or agreement among any of the Authority, the Corporation and the purchasers or Holders of the Bonds.

CALIFORNIA HEALTH FACILITIES FINANCING
AUTHORITY

By _____
Executive Director

Approved:

EL CAMINO HOSPITAL

By _____
Chief Financial Officer

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INFORMATION CONCERNING EL CAMINO HOSPITAL AND AFFILIATES

APPENDIX B

CONSOLIDATED FINANCIAL STATEMENTS OF EL CAMINO HEALTHCARE DISTRICT

APPENDIX C
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PROPOSED FORM OF OPINION OF BOND COUNSEL

APPENDIX E

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

Att. 06 05 DRAFT Loan Agreement

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

AND

EL CAMINO HOSPITAL

LOAN AGREEMENT

DATED AS OF NOVEMBER 1, 2016

RELATING TO

\$(PAR)
CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
REVENUE BONDS
(EL CAMINO HOSPITAL)
SERIES 2016

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LOAN AGREEMENT

This LOAN AGREEMENT, dated as of November 1, 2016 (the “Loan Agreement”), between the CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY, a public instrumentality of the State of California (the “Authority”), and EL CAMINO HOSPITAL, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California;

WITNESSETH:

WHEREAS, the Authority is a public instrumentality of the State of California, created by the California Health Facilities Financing Authority Act (constituting Part 7.2 of Division 3 of Title 2 of the Government Code of the State of California) (the “Act”), authorized to issue revenue bonds to finance construction, expansion, remodeling, renovation, furnishing, equipping, and acquisition of health facilities (including by reimbursing expenditures made for such purpose) and to refund or refinance certain indebtedness; and

WHEREAS, El Camino Hospital is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the “Corporation”) and is a participating health institution (as defined in the Act); and

WHEREAS, the Corporation has requested that the Authority issue one or more series of its revenue bonds in an aggregate principal amount not to exceed \$[PAR], and make one or more loans of the proceeds thereof to the Corporation to (i) reimburse, finance and refinance costs of the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of certain health facilities of the Corporation, as more particularly described under the caption “Project” in Exhibit A to the Loan Agreement (the “Project”), (ii) finance interest payable on the Bonds through _____, 20__ and (iii) pay costs of issuance of the Bonds (as defined below); and

WHEREAS, the Authority has authorized the issuance of the California Health Facilities Financing Authority Revenue Bonds (El Camino Hospital), Series 2016 (the “Bonds”), in an aggregate principal amount of \$[PAR] and the loan of the proceeds thereof to the Corporation for the purposes set forth in the above recital; and

WHEREAS, the Bonds are to be issued pursuant to a bond indenture, dated as of November 1, 2016 (the “Bond Indenture”), between the Authority and Wells Fargo Bank, National Association, as bond trustee (in such capacity, the “Bond Trustee”); and

WHEREAS, pursuant to a master trust indenture, dated as of March 1, 2007, as supplemented and amended (the “Master Indenture”), between the Corporation and Wells Fargo Bank, National Association, as master trustee (in such capacity, the “Master Trustee”), and a Supplemental Master Indenture for Obligation No. 6, dated as of November 1, 2016, between the Corporation and the Master Trustee (“Supplement No. 6”), the Corporation has issued its Obligation No. 6 to evidence the joint and several obligation of the Members to make all payments required of the Corporation under this Loan Agreement, including amounts sufficient to pay the principal of, premium, if any, and interest on the Bonds; and

WHEREAS, the Authority and the Corporation have each duly authorized the execution and delivery of this Loan Agreement, to specify the terms and conditions of the loan from the Authority to the Corporation of the proceeds of the Bonds and to require and confirm the obligation of the Corporation to make payments at such times and in such manner as may be necessary to provide for full payment of the principal of and interest and premium, if any, on the Bonds and certain related costs and expenses, as such become due, and for certain other purposes specified herein; and

WHEREAS, the Authority and the Corporation have each duly authorized the performance of its respective obligations under this Loan Agreement; and

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS; INTERPRETATION; CONTENT OF CERTIFICATES AND OPINIONS

Section 1.1 Definitions. Unless the context otherwise requires, all terms used herein shall have the meanings assigned to such terms in Section 1.01 of the Bond Indenture, dated as of November 1, 2016, between the Authority and Wells Fargo Bank, National Association, as Bond Trustee, as originally executed and as amended or supplemented from time to time.

Section 1.2 Interpretation. (a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Loan Agreement; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Loan Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 1.3 Content of Certificates and Opinions. Every certificate or opinion provided for in this Loan Agreement with respect to compliance with any provision hereof shall include the requirements set forth in Section 1.02 of the Bond Indenture.

ARTICLE II

FINDINGS BY THE AUTHORITY; REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

Section 2.1 Findings by the Authority. The Authority hereby finds and determines, based upon the representations, warranties and agreements of the Corporation and such other information as the Authority deems necessary, that (i) the Corporation is a “participating health institution” as such term is defined in the Act; (ii) the loan to be made hereunder with the proceeds of the Bonds will promote the purposes of the Act by providing funds to pay the cost of acquiring, constructing, rehabilitating or improving a health facility or facilities or to refinance indebtedness incurred for such purpose; (iii) said loan is in the public interest, serves a public purpose, promotes the health, welfare and safety of the citizens of the State of California, and meets the requirements of the Act; (iv) the portion of the proceeds of the Bonds allocable to the cost of financing of the Project does not exceed the total cost allocable to the cost of financing thereof as determined by the Corporation; and (v) the Corporation has given reasonable assurance, as that term is defined in the Act, that services will be made available to all persons residing or employed in the areas served by the Corporation’s health facilities.

Section 2.2 Representations and Warranties of the Corporation. The Corporation on behalf of itself and as Credit Group Representative makes the following representations to the Authority that as of the date of the execution of this Loan Agreement and as of the date of delivery of the Bonds to the initial purchasers thereof (such representations to remain operative and in full force and effect regardless of delivery of the Bonds):

(a) The Corporation is a nonprofit public benefit corporation duly incorporated and in good standing under the laws of the State of California; the Corporation has the requisite corporate right, power and authority to enter into this Loan Agreement, Supplement No. 6, Obligation No. 6, the Continuing Disclosure Certificate and the Tax Certificate and to carry out and consummate all transactions contemplated with respect to the Corporation hereby and thereby, and by proper corporate action has duly authorized the execution and delivery of this Loan Agreement, Supplement No. 6 and Obligation No. 6.

(b) The officers of the Corporation executing this Loan Agreement, Supplement No. 6, Obligation No. 6, the Continuing Disclosure Certificate and the Tax Certificate are duly and properly in office and fully authorized to execute the same.

(c) The Corporation has duly authorized, executed and delivered this Loan Agreement, Supplement No. 6, Obligation No. 6, the Continuing Disclosure Certificate and the Tax Certificate and the Members have duly authorized, executed and delivered the Master Indenture and each constitutes the legal, valid and binding agreement of the Corporation (with respect to this Loan Agreement) and the Members (with respect to the Master Indenture and Obligation No. 6), enforceable against the Corporation and the Members, as applicable, in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting the enforcement of creditors’ rights, to the application of equitable principles, regardless of whether enforcement is sought in a proceeding at law or in equity, to public policy and to the exercise of judicial discretion in appropriate cases.

(d) The Corporation as the sole Member under the Master Indenture has full legal right, power and authority to carry out and consummate all transactions contemplated thereby and to act as Credit Group Representative thereunder.

(e) The execution and delivery of this Loan Agreement, Supplement No. 6, Obligation No. 6, the Continuing Disclosure Certificate and the Tax Certificate the consummation of the transactions herein and therein and in the Master Indenture contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, will not: conflict with or constitute a breach of, violation or default (with due notice or the passage of time or both) under the articles of incorporation of the Corporation, its bylaws or any applicable law or administrative rule or regulation or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement, evidence of indebtedness or instrument to which the Corporation is a party or to which or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Corporation, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Master Indenture, this Loan Agreement, Supplement No. 6, Obligation No. 6, the Continuing Disclosure Certificate and the Tax Certificate or the financial condition, assets, properties or operations of the Obligated Group taken as a whole.

(f) No consent or approval of any trustee or holder of any indebtedness (including, without limitation, guaranty and credit or liquidity enhancement, reimbursement obligations) of the Corporation, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except with respect to any state securities or “blue sky” laws) is necessary in connection with the execution and delivery of this Loan Agreement, Supplement No. 6, Obligation No. 6, the Continuing Disclosure Certificate and the Tax Certificate or the consummation of any transaction herein or therein or in the Master Indenture contemplated, or the fulfillment of or compliance with the terms and conditions hereof or thereof or of the Master Indenture, except as have been obtained or made and as are in full force and effect and except as may be required to acquire, construct and/or complete the Project, all of which are expected to be obtained in the ordinary course.

(g) The Corporation is an organization described in Section 501(c)(3) of the Code, and is exempt from federal income tax under Section 501(a) of the Code, except for unrelated business taxable income under Section 511 of the Code, which income is not expected to result from the consummation of any transaction contemplated by this Loan Agreement. The Corporation is not a private foundation as described in Section 509(a) of the Code. The facts and circumstances which form the basis of the Corporation’s status as an organization described in Section 501(c)(3) of the Code as represented to the Internal Revenue Service continue substantially to exist.

(h) There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the Corporation, after reasonable investigation, threatened, against or affecting the Corporation or the assets, properties or operations of the Corporation:

(i) Seeking to restrain or enjoin the issuance or delivery of any Bonds or the collection of Revenues pledged under the Bond Indenture;

(ii) In any way contesting or affecting the validity of the Bonds, the Bond Indenture, the Master Indenture, this Loan Agreement, or Supplement No. 6, Obligation No. 6, the Continuing Disclosure Certificate and the Tax Certificate;

(iii) In any way contesting the corporate existence or powers of the Corporation necessary to consummate the transactions contemplated by the Master Indenture, this Loan Agreement, Supplement No. 6, Obligation No. 6, the Continuing Disclosure Certificate and the Tax Certificate;

(iv) Contesting or affecting the Corporation's status as an organization described in Section 501(c)(3) of the Code or which would subject any income of the Corporation to federal income taxation to such extent as would result in loss of the exclusion from gross income for federal income tax purposes of interest on any of the Bonds under Section 103 of the Code;

(v) Which, if determined adversely to the Corporation, would materially adversely affect the ability of the Corporation to perform its obligations under the Master Indenture, this Loan Agreement, or Supplement No. 6, Obligation No. 6, the Continuing Disclosure Certificate and the Tax Certificate.

(i) No representation made, nor any information, exhibit or report furnished to the Authority by the Corporation in connection with the negotiation of this Loan Agreement, the Bond Indenture, Supplement No. 6, Obligation No. 6, the Continuing Disclosure Certificate and the Tax Certificate contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. There is no fact that the Corporation has not disclosed to the Authority in writing (including in the Official Statement) that materially and adversely affects or in the future may (so far as the Corporation can now reasonably foresee) materially and adversely affect the properties, business, assets or operations (financial or otherwise) of the Corporation, or the ability of the Corporation to perform its or their obligations under this Loan Agreement or any documents or transactions contemplated hereby.

(j) The audited consolidated balance sheet of the Corporation and its Affiliates, as of June 30, 2015, and the consolidated statements of activities and cash flows for the year then ended (copies of which have been furnished to the Authority) present fairly, in all material respects, the financial position of the Corporation and its Affiliates as of June 30, 2015 and the changes in such activities and financial position for the year then ended in accordance with generally accepted accounting principles; and since June 30, 2015, there has been no material adverse change in the assets, operations or financial condition of the Corporation and its Affiliates, except as disclosed in the Official Statement.

(k) No facility financed or refinanced by any portion of the proceeds of the Bonds is or currently is expected to be used by any Person which is not an "exempt" person within the meaning of the Code and the regulations proposed and promulgated thereunder, or by a governmental unit or a 501(c)(3) organization (including the Corporation) in an "unrelated trade or business" within the meaning of Section 513(a) of the Code and the regulations

proposed and promulgated thereunder, in such manner or to such extent as would result in loss of exclusion from gross income for federal tax purposes of interest on any of the Bonds under Section 103 of the Code.

(l) All tax returns (federal, state and local) required to be filed by or on behalf of the Corporation have been filed, and all taxes shown thereon to be due, including interest and penalties, except such, if any, as are being actively contested by the Corporation, in good faith, have been paid or adequate reserves have been made for the payment thereof which reserves, if any, are reflected in the audited financial statements described therein.

(m) The Corporation has good and marketable title to its facilities free and clear from all encumbrances other than Permitted Liens (as defined in the Master Indenture). The Corporation enjoys the peaceful and undisturbed possession of all of the premises upon which it is operating health care facilities.

(n) The Corporation complies in all material respects with all applicable Environmental Laws.

(o) Neither the Corporation nor its facilities is the subject of a federal, state or local investigation evaluating whether any remedial action is needed to respond to any alleged violation or condition regulated by Environmental Laws or to respond to a release of any Hazardous Materials into the environment.

(p) The Corporation does not have any material contingent liability in connection with any release of any Hazardous Materials into the environment.

(q) Except for such Hazardous Materials, toxic substances or wastes as occur, are handled and are disposed of in the ordinary course of business of the Corporation, no Hazardous Materials, toxic substances or wastes are located at, or have been removed from, the Corporation's properties.

(r) The Corporation is a "participating health institution" and will operate a "health facility" as those terms are defined in the Act.

(s) The Project constitutes a "project" as such term is defined in the Act. No portion of the project includes any institution, place or building used or to be used primarily for sectarian instruction or study or as a place for devotional studies or religious worship.

(t) The Corporation does not restrict admission of patients, or grants preference in admissions to patients, to its health care facilities on racial or religious grounds.

(u) The Corporation hereby gives reasonable assurance, as that term is defined in the Act, that services will be made available to all persons residing or employed in the areas served by the Corporation's health facilities.

(v) The Corporation represents that the portion of the proceeds of the Bonds allocable to the cost of financing of the Project does not exceed the total cost allocable to the cost of financing thereof.

(w) Each ERISA Plan of the Corporation is in compliance in all material respects with the applicable provisions of ERISA and the Code. To the best knowledge of the Corporation, no ERISA Plan has engaged in, and compliance by the Corporation with the provisions of this Loan Agreement will not involve, any non-exempt prohibited transaction that would subject the Corporation to a material tax or penalty on prohibited transactions. No ERISA Plan that is subject to Part 3 of Subtitle B of Title I of ERISA or Section 412 of the Code has had an accumulated funding deficiency, whether or not waived as of the last day of the most recent plan year of such ERISA Plan ended prior to the date hereof. No liability to the Pension Benefit Guaranty Corporation has been, or is expected by the Corporation to be, incurred by the Corporation with respect to any ERISA Plan subject to Title IV of ERISA, other than for premium payments. There has been no material Reportable Event with respect to any ERISA Plan subject to Section 4043 of ERISA since the effective date of said Section 4043 for which the Corporation could have any liability, and since such date no event or condition has occurred that presents a material risk of termination of any such ERISA Plan by the Pension Benefit Guaranty Corporation. As of the most recent valuation date, the present value of all vested accrued benefits under each ERISA Plan subject to Title IV of ERISA as determined by each ERISA Plan's enrolled actuary within the meaning of Section 103 of ERISA under actuarial assumptions used in connection with the actuarial valuation of each such ERISA Plan, except as disclosed in the Official Statement, did not exceed the value of such ERISA Plan's assets (less all liabilities other than those attributable to accrued benefits), as determined by each such enrolled actuary, allocable to such vested accrued benefits. Neither the Corporation nor any Common Control Entity has incurred any withdrawal liability in connection with a Multiemployer Plan. As used in this paragraph (w), the terms "ERISA Plan," "Reportable Event," "Common Control Entity" and "Multiemployer Plan" shall have the respective meanings ascribed thereto in Section 5.5 of this Loan Agreement.

ARTICLE III

ISSUANCE OF BONDS AND OBLIGATION NO. 6; LOAN OF PROCEEDS

Section 3.1 The Bonds and the Loan of Proceeds. Pursuant to the Bond Indenture, the Authority has authorized the issuance of the Bonds in the aggregate principal amount of \$[PAR]. The Authority hereby loans and advances to the Corporation, and the Corporation hereby borrows and accepts from the Authority (solely from the proceeds of the sale of the Bonds), the proceeds of the Bonds to be applied under the terms and conditions of this Loan Agreement and the Bond Indenture. The Corporation hereby approves the Bond Indenture and the issuance of the Bonds thereunder by the Authority, the assignment thereunder to the Bond Trustee of the right, title and interest of the Authority (1) in this Loan Agreement (except for (i) the right to receive any Administrative Fees and Expenses to the extent payable to the Authority, (ii) any rights of the Authority to be indemnified, held harmless and defended and rights to inspection and to receive notices, certificates and opinions, (iii) express rights to give approvals, consents or waivers, and (iv) the obligation of the Corporation to make deposits pursuant to the Tax Certificate) and (2) in and to Obligation No. 6.

Section 3.2 Issuance of Obligation No. 6. In consideration of the issuance of the Bonds by the Authority and the application of the proceeds thereof as provided in the Bond Indenture, the Corporation agrees to issue, and to cause to be authenticated and delivered to the

Authority or its designee, pursuant to the Master Indenture and Supplement No. 6, concurrently with the issuance and delivery of the Bonds, Obligation No. 6 in substantially the form set forth in Supplement No. 6. The Authority agrees that Obligation No. 6 shall be registered in the name of the Bond Trustee. The Corporation agrees that the aggregate principal amount of Obligation No. 6 shall be limited to \$[PAR], except for any Obligation No. 6 authenticated and delivered in lieu of another Obligation No. 6 as provided in Section 6 of Supplement No. 6 with respect to the mutilation, destruction, loss or theft of Obligation No. 6 or, subject to the provisions of Section 3.3 hereof, upon transfer of registration of Obligation No. 6. Issuance and delivery of the Bonds by the Authority shall be a condition of the issuance and delivery of Obligation No. 6.

Section 3.3 Restrictions on Number and Transfer of Obligation No. 6.

(a) The Corporation agrees that, except as provided in subsection (b) of this Section, so long as any Bond remains Outstanding, Obligation No. 6 shall be issuable only as a single obligation without coupons, registered as to principal and interest in the name of the Bond Trustee, and no transfer of Obligation No. 6 shall be registered under the Master Indenture or be recognized by the Corporation except for transfers to a successor Bond Trustee.

(b) Upon the principal of all Obligations Outstanding (within the meaning of that term as used in the Master Indenture) being declared immediately due and payable, Obligation No. 6 may be transferred if and to the extent that the Bond Trustee requests that the restrictions on transfers set out in subsection (a) of this Section be terminated.

Section 3.4 Condition Precedent. The obligation of the Authority to make the loan as herein provided shall be subject to the receipt by it of the proceeds of the issuance and sale of the Bonds.

ARTICLE IV

PAYMENTS

Section 4.1 Payments of Principal, Premium and Interest. (a) In consideration of the loan of such proceeds to the Corporation, the Corporation agrees that, on or before the twenty-fifth (25th) day of the calendar month preceding the calendar month in which each Interest Payment Date or Principal Payment Date falls and as long as any of the Bonds remain Outstanding, it shall pay to the Bond Trustee for deposit in the Revenue Fund such amount as is required by the Bond Trustee to make the transfers and deposits required on the next Interest Payment Date or Principal Payment Date by Section 5.02 of the Bond Indenture. Notwithstanding the foregoing, if on any Interest Payment Date or Principal Payment Date, the aggregate amount in the Revenue Fund is for any reason insufficient or unavailable to make the required payments of principal (or Redemption Price) of or interest on the Bonds then becoming due (whether by maturity, redemption or acceleration), the Corporation shall forthwith pay the amount of any such deficiency to the Bond Trustee. Each payment by the Corporation to the Bond Trustee hereunder (the "Loan Repayments") shall be in lawful money of the United States of America and paid to the Bond Trustee at the Corporate Trust Office, and held, invested, disbursed and applied as provided in the Bond Indenture.

(b) Except as otherwise expressly provided herein, all amounts payable hereunder by the Corporation to the Authority shall be paid to the Bond Trustee as assignee of the Authority and this Loan Agreement and all right, title and interest of the Authority in any such payments are assigned and pledged to the Bond Trustee pursuant to the Bond Indenture so long as any Bonds remain Outstanding.

Section 4.2 Additional Payments. In addition to Loan Repayments and payments on Obligation No. 6, the Corporation shall also pay to the Authority or the Bond Trustee, as the case may be, "Additional Payments," as provided in this Section. Such Additional Payments may be discharged in whole or in part by payment actually received from amounts in the Costs of Issuance Fund or may be billed to the Corporation by the Authority or the Bond Trustee from time to time, together with a statement certifying the amount billed has been incurred or paid for one or more of the below items. After such a demand, amounts so billed shall be paid by the Corporation within thirty (30) days after receipt of the bill by the Corporation. The obligations of the Corporation under this Section shall survive the resignation and removal of the Bond Trustee, payment of the Bonds and discharge of the Bond Indenture.

(a) The Additional Payments to the Authority include:

(i) All taxes and assessments of any type or character charged to the Authority affecting the amount available to the Authority from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments); provided, however, that the Corporation shall have the right to protest any such taxes or assessments and to require the Authority, at the Corporation's expense, to protest and contest any such taxes or assessments levied upon them and that the Corporation shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Authority and the Corporation has provided the Authority with security and indemnification reasonably deemed adequate by the Authority in respect of such affected rights or interests;

(ii) All amounts payable to the Authority under Section 5.4 hereof;

(iii) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority to prepare audits, financial statements, reports, opinions or provide such other services required under this Loan Agreement, Supplement No. 6, Obligation No. 6 or the Bond Indenture;

(iv) The annual fee of the Authority, any and all fees and expenses incurred primarily in connection with the authorization, issuance, sale and delivery of any Bonds and the reasonable fees and expenses of the Authority or any agency of the State of California selected by the Authority to act on its behalf in connection with this Loan Agreement, Supplement No. 6, Obligation No. 6, the Bonds or the Bond Indenture, including, without limitation, in connection with any litigation, investigation, inquiry or other proceeding which may at any time be instituted involving this Loan Agreement, Supplement No. 6, Obligation No. 6, the Bonds or the Bond Indenture or any of the other documents contemplated thereby, or

by the Attorney General of the State of California or such other counsel as the Authority may select in connection with the reasonable supervision or inspection of the Corporation, its properties, assets or operations or otherwise in connection with the administration (both before and after the execution of this Loan Agreement) of this Loan Agreement or the Bond Indenture; and

(v) All other reasonable and necessary fees and expenses attributable to the Bonds, this Loan Agreement, Supplement No. 6, Obligation No. 6 or related documents, including without limitation all payments required pursuant to the Tax Certificate.

(b) The Additional Payments to the Bond Trustee include:

(i) All taxes and assessments of any type or character charged to the Bond Trustee affecting the amount available to the Bond Trustee from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments, excluding any franchise tax or income tax); provided, however, that the Corporation shall have the right to protest any such taxes or assessments and to require the Bond Trustee, at the Corporation's expense, to protest and contest any such taxes or assessments levied upon them and that the Corporation shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Bond Trustee and the Corporation has provided the Bond Trustee with security and indemnification reasonably deemed adequate by the Bond Trustee in respect of such affected rights or interests;

(ii) All reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Bond Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under this Loan Agreement or the Bond Indenture;

(iii) All amounts payable to the Bond Trustee under Sections 5.3 and 5.4; and

(iv) All other reasonable and necessary fees and expenses attributable to the Bonds, this Loan Agreement, or related documents, including without limitation all payments required pursuant to the Tax Certificate.

Section 4.3 Credits for Payments. The Corporation shall receive credit against its payments required to be made under Section 4.1, in addition to any credits resulting from payment or repayment from other sources, as follows:

(a) on installments of interest in an amount equal to moneys deposited in the Interest Account, to the extent such amounts have not previously been credited against such payments;

(b) on installments of principal in an amount equal to moneys deposited in the Principal Account, to the extent such amounts have not previously been credited against such payments;

(c) on installments of principal and interest in an amount equal to the principal amount of Bonds for the payment at maturity or redemption of which sufficient amounts (as determined by Section 10.03 of the Bond Indenture) in cash or United States Government Obligations are on deposit as provided in Section 10.03 of the Bond Indenture to the extent such amounts have not previously been credited against such payments, and the interest on such Bonds from and after the date fixed for payment at maturity or redemption thereof. Such credits shall be made against the installments of principal, premium, if any, and interest which would have been used, but for such call for redemption, to pay principal of and interest on such Bonds when due at maturity; and

(d) on installments of principal and interest in an amount equal to the principal amount of Bonds acquired by the Corporation and surrendered to the Bond Trustee for cancellation or purchased by the Bond Trustee and cancelled, and the interest on such Bonds from and after the date interest thereon has been paid prior to cancellation. Such credits shall be made against the installments of principal and interest which would have been used, but for such cancellation, to pay principal of and interest on such Bonds when due.

Section 4.4 Prepayment. The Corporation shall have the right, so long as all amounts which have become due hereunder have been paid, at any time or from time to time to prepay all or any part of its Loan Repayments and the Authority agrees that the Bond Trustee shall accept such prepayments when the same are tendered. Prepayments may be made by payments of cash, deposit of United States Government Obligations or surrender of Bonds as contemplated by subsections 4.3(c) and (d). All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of Bonds) shall be deposited upon receipt at the Corporation's direction in (i) the Principal Account; (ii) the Optional Redemption Account of the Redemption Fund if the Bonds are to be redeemed pursuant to Section 4.01(B) of the Bond Indenture; or (iii) in the Special Redemption Account of the Redemption Fund if the Bonds are to be redeemed pursuant to Section 4.01(C) or (D) of the Bond Indenture and, at the request of and as determined by the Corporation, credited against payments due hereunder or used for the redemption or purchase of Outstanding Bonds in the manner and subject to the terms and conditions set forth in the Bond Indenture. The Corporation also shall have the right to surrender Bonds acquired by it in any manner whatsoever to the Bond Trustee for cancellation, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired, and in the case of Bonds shall be allocated as set forth in the Bond Indenture. Notwithstanding any such prepayment or surrender of Bonds, as long as any Bonds remain Outstanding or any Additional Payments required to be made hereunder remain unpaid, the Corporation shall not be relieved of its obligations hereunder. The Corporation shall also have the right to surrender Bonds acquired by it in any manner whatsoever to the Bond Trustee for cancellation, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired and allocated as set forth in a Request of the Corporation in accordance with the Bond Indenture.

Section 4.5 Obligations Unconditional. The obligations of the Corporation hereunder and under Obligation No. 6 are absolute and unconditional, notwithstanding any other provision of this Loan Agreement, Supplement No. 6, Obligation No. 6, the Master Indenture or the Bond Indenture. Until this Loan Agreement is terminated and all payments hereunder are made, the Corporation:

(a) shall pay all amounts required hereunder and under Obligation No. 6 without abatement, deduction or setoff except as otherwise expressly provided in this Loan Agreement;

(b) shall not suspend or discontinue any payments due hereunder or under Obligation No. 6 for any reason whatsoever, including, without limitation, any right of setoff or counterclaim;

(c) shall perform and observe all its other agreements contained in this Loan Agreement; and

(d) except as provided herein, shall not terminate this Loan Agreement for any cause including, without limiting the generality of the foregoing, damage, destruction or condemnation of the Project, the health facilities owned and operated by any of the Members or any part thereof, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State, or any political subdivision of either or any failure of the Authority to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement. Nothing contained in this Section shall be construed to release the Authority from the performance of any of the agreements on its part herein contained; and in the event the Authority should fail to perform any such agreement on its part, the Corporation may institute such action against the Authority as the Corporation may deem necessary to compel performance.

The rights of the Bond Trustee or any party or parties on behalf of whom the Bond Trustee is acting shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever, whether arising out of any breach of any duty or obligation of the Authority, the Master Trustee or the Bond Trustee owing to the Corporation, or by reason of any other indebtedness or liability at any time owing by the Authority, the Master Trustee or the Bond Trustee to the Corporation.

ARTICLE V

PARTICULAR COVENANTS

Section 5.1 Prohibited Uses. No portion of the proceeds of the Bonds will be used to finance or refinance any facility, place or building used or to be used (i) primarily for sectarian instruction or study or as a place for devotional activities or religious worship; or (ii) by any person that is not an organization described in Section 501(c)(3) of the Code or by a 501(c)(3) organization, including the Corporation, in an “unrelated trade or business” (as such term is defined in Section 513 of the Code), in such manner or to such extent as would result in any of

the Bonds being treated as an obligation not described in Section 103(a) of the Code. The covenant in clause (i) of this Section shall survive payment in full or defeasance of the Bonds.

Section 5.2 Nonliability of the Authority. The Authority shall not be obligated to pay the principal of, and premium, if any, and interest on the Bonds, except from Revenues and other assets pledged under the Bond Indenture. Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. The Authority shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind or any conceivable theory, under or by reason of or in connection with this Loan Agreement, Obligation No. 6, the Bonds, the Continuing Disclosure Certificate, the Tax Certificate or the Bond Indenture, except only to the extent amounts are received for payment thereof from the Corporation under this Loan Agreement or from the Members under Obligation No. 6.

The Corporation hereby acknowledges that the Authority's sole source of moneys to repay the Bonds will be provided by the payments made by the Corporation hereunder and pursuant to Obligation No. 6 and other Revenues, together with investment income on certain funds and accounts held by the Bond Trustee under the Bond Indenture, and hereby agrees that if the payments to be made hereunder and under Obligation No. 6 shall ever prove insufficient to pay all principal of, and premium, if any, and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Bond Trustee, the Corporation shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal, premium or interest including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Bond Trustee, the Master Trustee, the Corporation, the Members, the Authority or any third party.

Section 5.3 Expenses. The Corporation covenants and agrees to pay and indemnify the Authority and the Bond Trustee against all reasonable fees, costs and charges, including reasonable fees and expenses of attorneys, accountants, consultants and other experts, incurred in good faith (and with respect to the Bond Trustee, without negligence) and arising out of or in connection with this Loan Agreement, Supplement No. 6, the Master Indenture, the Continuing Disclosure Certificate, the Bonds or the Bond Indenture. These obligations and those in Section 5.4 shall remain valid and in effect notwithstanding repayment of the loan hereunder or the Bonds or termination of this Loan Agreement or the Bond Indenture.

Section 5.4 Indemnification. (a) The Corporation, to the fullest extent permitted by law, shall indemnify, hold harmless the Authority, the State Treasurer and their members, officers, employees and agents (each an "Authority Indemnified Party") and the Bond Trustee and its officers, directors, employees and agents (each, a "Bond Trustee Indemnified Party" and, together with each Authority Indemnified Party, an "Indemnified Party") from and against any and all Indemnifiable Losses arising out of, resulting from or in any way connected with:

(i) the Project, including the facilities comprising any part of the Project to be financed or refinanced, or the conditions, occupancy, use, possession, conduct or management of, work done in or about, or from the planning, design, acquisition, installation or construction, of the Project or any part thereof, including, without limitation, Indemnifiable

Losses resulting from or in any way relating to any generation, processing, handling, transportation, storage, treatment or disposal of solid wastes, Hazardous Materials or any other Hazardous Material Activity relating to the Project including, but not limited to, any of those activities occurring, to occur or having previously occurred on the Project and any Releases on, under or from the Project to the extent occurring or existing prior to the execution and delivery of this Loan Agreement;

(ii) the issuance, sale or remarketing of the Bonds or the carrying out of any of the transactions or undertakings contemplated by the Bond Indenture, the Bonds, this Loan Agreement, Supplement No. 6, Obligation No. 6, the Continuing Disclosure Certificate and the Tax Certificate or any document delivered by the Corporation pursuant to, or in connection with, any of the foregoing;

(iii) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of any material fact in any official statement, offering statement, offering circular or continuing disclosure document for the Bonds or any statement made in connection with the purchase or sale of the Bonds (other than any such statement in the Official Statement under the caption “THE AUTHORITY” or “ABSENCE OF MATERIAL LITIGATION—The Authority” or any similar statement provided by the Authority expressly for use in any other official statement, offering statement, offering circular or continuing disclosure document for the Bonds), or any omission or alleged omission to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(iv) any declaration of taxability of interest paid or payable on the Bonds, or allegations (or regulatory inquiry) that interest paid or payable on the Bonds is taxable, for federal or State income tax purposes;

(v) the Bond Trustee’s acceptance or administration of the trust of the Bond Indenture or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party;

(vi) the refunding, retirement, tender for purchase and/or redemption, in whole or in part, of the Bonds;

(vii) any misrepresentation or breach of warranty by the Corporation of any representation or warranty in this Loan Agreement, Supplement No. 6, Obligation No. 6, the Continuing Disclosure Certificate and the Tax Certificate or any document delivered by the Corporation pursuant to, or in connection with, any of the foregoing or the Bonds; or

(viii) any breach by the Corporation of any covenant or undertaking set forth in this Loan Agreement, Supplement No. 6, Obligation No. 6, the Continuing Disclosure Certificate and the Tax Certificate or any document delivered by the Corporation pursuant to, or in connection with, any of the foregoing or the Bonds; provided that such indemnification pursuant to this Section shall not apply to Indemnifiable Losses resulting because of the negligence or willful misconduct of any Bond Trustee Indemnified Party or the gross negligence or willful misconduct of any Authority Indemnified Party.

(b) The Authority agrees to notify the Corporation promptly, but in no event later than twenty (20) business days, after written notice to the Authority that any third party has brought any action, suit or proceeding against an Indemnified Party that may result in an Indemnifiable Loss (a “Third Party Action”). Upon such notice or other notice from an Indemnified Party of a Third Party Action, the Corporation shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party and reasonably acceptable to the Corporation (which may be the Attorney General of the State of California), and shall assume the payment of all Litigation Expenses related thereto, with full power to litigate, compromise or settle the same in its discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove (in its sole and absolute discretion) any such compromise or settlement and the Indemnified Party has no liability with respect to any compromise or settlement of any Third Party Action effected without its written approval. Each Indemnified Party shall have the right to employ separate counsel in any Third Party Action and participate in the investigation and defense thereof, and the Corporation shall pay the reasonable fees and disbursements of such separate counsel; provided, however, that a Bond Trustee Indemnified Party may only employ separate counsel at the expense of the Corporation if in the reasonable judgment of such Bond Trustee Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel. If the Indemnified Party fails to provide such notice to the Corporation, the Corporation is still obligated to indemnify the Indemnified Party for Indemnifiable Losses.

(c) The rights and undertakings set forth in this Section do not terminate and survive the final payment or defeasance of the Bonds, the termination or defeasance of this Loan Agreement, and any resignation or removal of the Bond Trustee.

For purposes of this Section “Indemnifiable Losses” means the aggregate of Losses and Litigation Expenses.

For purposes of this Section “Losses” means any liability, loss, claim, settlement payment, cost and expense, interest, award, judgment, damages (other than punitive damages to the extent they may not, under law, be indemnified), diminution in value, fine, fee and penalty, and other charge, of every conceivable kind, character and nature whatsoever, contingent or otherwise, known or unknown, except Litigation Expenses.

For purposes of this Section “Litigation Expenses” means any court filing fee, court cost, witness fee, and each other fee and cost of investigating and defending or asserting a claim, including any claim made to enforce the terms of indemnification provided in this Section 5.4, and including, without limitation, in each case, attorneys’ fees, other professionals’ fees and disbursements.

Section 5.5 ERISA.

(a) The Corporation shall not, with respect to any ERISA Plan:

(i) incur any “accumulated funding deficiency,” as such term is defined in Section 412 of the Code, whether or not waived, if the amount of such accumulated

funding deficiency, plus any accumulated funding deficiencies previously incurred with respect to such ERISA Plan and not eliminated, would aggregate more than \$100,000; provided that the incurring of such an accumulated funding deficiency will not be an “event of default” hereunder if it is reduced below \$100,000 or eliminated within 90 days after the date upon which the Corporation becomes aware of such accumulated funding deficiency; or

(ii) terminate any such ERISA Plan in a manner which could result in the imposition of a material lien on the property of the Corporation pursuant to Section 4068 of ERISA and which could materially adversely affect the business, earnings, properties or financial condition of the Corporation; or

(iii) withdraw from a Multiemployer Plan in a “complete withdrawal” or a “partial withdrawal” as defined in Sections 4203(a) and 4205(a), respectively, of ERISA, if such withdrawal could materially adversely affect the Corporation’s ability to comply at any time with any of the provisions of this Loan Agreement.

(b) The Corporation shall:

(i) fund all current and past service pension liabilities under the provisions of all ERISA Plans such that if all such ERISA Plans were terminated at the same time by the Corporation any liens imposed on the Corporation under Section 4068 of ERISA would not be in an amount in the aggregate which would materially affect the Corporation’s ability to comply at any time with any of the provisions of this Loan Agreement; and

(ii) otherwise comply in all material respects with the provisions applicable to its ERISA Plans contained in ERISA, the Code and the regulations published thereunder; and

(iii) notify the Bond Trustee and the Authority promptly after the Corporation knows (i) of the happening of any material Reportable Event with respect to any ERISA Plan and, in any event, at least five days prior to any notification of such material Reportable Event given to the Pension Benefit Guaranty Corporation pursuant to the terms of Section 4043 of ERISA or (ii) of an assessment against the Corporation or any Common Control Entity of any withdrawal liability to a Multiemployer Plan. Notwithstanding anything herein to the contrary, the Corporation need not notify the Bond Trustee or the Authority of such material Reportable Event or withdrawal liability unless it might materially adversely affect the business, prospects, earnings, properties or condition (financial or otherwise) of the Corporation.

(iv) For purposes of this paragraph (iv) and the representations and warranties of the Corporation contained in subsection (w) of Section 2.2, the following terms shall have the following meanings. The term “ERISA Plan” means any “employee benefit plan” (as such term is defined in Section 3(3) of ERISA) established by the Corporation or, with respect to any such plan that is subject to Section 412 of the Code or Title IV of ERISA, any Common Control Entity. The term “Common Control Entity” means any entity which is a member of a “controlled group of corporations” with, or is under “common control” with, the Corporation as defined in Section 414(b) or (c) of the Code. The term “Multiemployer Plan” has the meaning set forth in Section 4001(a)(3) of ERISA and all rules and regulations promulgated

from time to time thereunder. The term “Reportable Event” means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30-day notice period has been waived.

Section 5.6 Tax Covenant. The Corporation covenants and agrees that it will at all times do and perform all acts and things permitted by law, the Tax Certificate and this Loan Agreement which are necessary in order to assure that interest paid on the Bonds (or any of them) will be excluded from gross income for federal income tax purposes pursuant to Sections 103 and 141 through 150 of the Code and will take no action that would result in such interest not being so excluded pursuant to Sections 103 and 141 through 150 of the Code. Without limiting the generality of the foregoing, the Corporation agrees to comply with the provisions of the Tax Certificate, which is incorporated herein by this reference. This covenant shall survive payment in full or defeasance of the Bonds.

Section 5.7 Continuing Disclosure. The Corporation hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Loan Agreement or the Master Indenture, failure of the Corporation to enter into and comply with the Continuing Disclosure Certificate shall not be considered a Loan Default Event or an Event of Default; however, the Bond Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Holders of at least 25% in aggregate principal amount of Outstanding Bonds, shall) or any Bondholder or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Corporation to comply with its obligations under this Section 5.7.

Section 5.8 Acquisition, Construction and Installation of the Project. The Corporation shall acquire, construct and install the Project or cause such Project to be acquired, constructed and installed and shall proceed with due diligence and use its best efforts to cause the construction and installation of the Project to be completed by no later than the third anniversary date of the Date of Issuance, delays beyond the reasonable control of the Corporation only excepted. The Corporation has entered or will enter into purchase commitments and agreements which provide, in the aggregate, for the acquisition, installation and construction of the Project by such date and at a price which will permit completion of the Project for an amount not to exceed the amount of money deposited in the Project Fund and other available funds. The Corporation hereby grants, subject to applicable law, to the Authority, until completion of the Project, all reasonable rights of access necessary for the Authority to carry out its obligations and to enforce its rights hereunder. It is expressly understood and agreed that the Authority and the Bond Trustee shall be under no liability of any kind or character whatsoever for the payment of any cost of the Project or any expense incurred in connection with the Project and that all such costs and expenses shall be paid by the Corporation. The acquisition, installation and construction of the Project shall be in accordance with all applicable zoning, planning and building regulations, and the Corporation shall obtain all necessary governmental permits, licenses, certificates, authorizations and approvals necessary to be obtained for the acquisition, installation, construction and operation of the Project.

Section 5.9 Disbursements from the Project Fund. Disbursements will be made from the Project Fund to pay the costs of the Project and subject to the terms and conditions set forth

in the Bond Indenture. If amounts in the Project Fund are not sufficient to pay the costs of the Project in full, the Corporation shall use its best efforts to cause the completion of the Project elements financed with proceeds of the Bonds and shall pay at its own expense such costs in excess of amounts available in the Project Fund, from its own funds, without any diminution or postponement of any Loan Repayment or Additional Payment and without any right of reimbursement from the Authority or the Bond Trustee. Nothing herein shall obligate the Corporation to complete every element of the Project.

Section 5.10 Extension of Ground Lease. The Corporation hereby covenants and agrees to keep the Ground Lease, dated December 17, 1992, including all extensions executed through the date hereof relating to the real property on which the its campus in Mountain View, California, is located between El Camino Hospital District (the “District”), as lessor, and the Corporation, as lessee in place through the expiration date of December 31, 2049 (the “Expiration Date”) or the final maturity of the Bonds, whichever is earlier. The Corporation agrees to provide a copy of any further extensions of the Expiration Date to the Authority and the Bond Trustee.

Section 5.11 Incorporation by Reference. The covenants of the Obligated Group as set forth in the Master Indenture are hereby incorporated by reference and reaffirmed for the benefit of the Authority and the Holders of the Bonds.

Section 5.12 Waiver of Personal Liability. No member, officer, official, agent or employee of the Authority or any member, director, officer, agent or employee of the Corporation shall be individually or personally liable for the payment of any principal of, premium, if any, or interest on the Bonds or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Loan Agreement; but nothing herein contained shall relieve any such member, director, officer, official, agent or employee of the Authority from the performance of any official duty provided by law or by this Loan Agreement.

Section 5.13 Delivery of Reports and Records. The Corporation will furnish to the Authority so long as any Bonds remain Outstanding the certificates and documents as are required to be delivered by the Credit Group Representative to the Master Trustee under Section 3.12 of the Master Indenture as follows:

(a) As soon as practicable, but in no event more than five months after the last day of each Fiscal Year, one or more financial statements which, in the aggregate, shall include the Material Credit Group Members (as defined in the Master Indenture). Such financial statements:

(1) may consist of (i) consolidated or combined financial results including one or more Members of the Credit Group (as defined in the Master Indenture) and one or more other Persons required to be consolidated or combined with such Member(s) of the Credit Group under generally accepted accounting principles (including consolidated financial results with El Camino Hospital District) or (ii) special purpose financial statements including only Members of the Credit Group;

(2) shall be audited by a firm of nationally recognized independent certified public accountants approved by the Credit Group Representative as having been prepared in accordance with generally accepted accounting principles (except, in the case of special purpose financial statements, for required consolidations);

(3) shall include a combined balance sheet, statement of operations and changes in net assets and cash flow statement; and

(4) if financial statements delivered pursuant to this clause (a) include financial information with respect to any Person who is not an Obligated Group Member or do not include financial information with respect to all Obligated Group Members, then the financial statements shall contain a consolidated or combined schedule for all Obligated Group Members that reflects combining entries that eliminate material inter-company balances and transactions.

(b) Unless a single financial statement (including a single special purpose financial statement) is delivered pursuant to clause (a) above for the entire Credit Group, as soon as practicable, but in no event more than five months after the last day of each Fiscal Year, an unaudited balance sheet, statement of operations and changes in net assets and cash flow statement for such Fiscal Year for the Credit Group (such balance sheet, statement of operations and changes in net assets and cash flow statement being referred to as the "Credit Group Financial Statements"), prepared by the Credit Group Representative based on (a) for all Material Credit Group Members which have the same fiscal year as the Fiscal Year of the Credit Group, the accompanying unaudited combining or consolidating schedules delivered with the audited financial statements described in clause (i) above and (b) for all other Credit Group Members, unaudited financial statements for such Fiscal Year (including, at the option of the Credit Group Representative, Credit Group Members that are not Material Credit Group Members, whether or not financial statements were delivered for such Credit Group Members pursuant to clause (a) above).

(c) At the time of the delivery of the Credit Group Financial Statements, a certificate of the chief financial officer of the Credit Group Representative stating that (A) the Credit Group Financial Statements were prepared in accordance with generally accepted accounting principles (except for the inclusion of Credit Group Members that are not permitted to be consolidated in accordance with generally accepted accounting principles and the exclusion of entities that are not Credit Group Members that are required to be consolidated in accordance with generally accepted accounting principles), (B), subject to clause (v) below, the Credit Group Financial Statements reflect the results of the operations of only Credit Group Members, (C) the Credit Group Financial Statements reflect the results of the operations of the Material Credit Group Members, and (iv) the combined net assets of the Material Credit Group Members for which financial statements have been delivered to the Master Trustee pursuant to clause (i) above and that are included in the Credit Group Financial Statements are equal to or greater than 90% of the combined or consolidated net assets of the Credit Group for the most recently completed Fiscal Year of the Credit Group.

(d) At the time of the delivery of the Credit Group Financial Statements, a certificate of the chief financial officer of the Credit Group Representative, stating that the Credit

Group Representative has made a review of the activities of the Credit Group Members during the preceding Fiscal Year for the purpose of determining whether or not the Credit Group Members have complied with all of the terms, provisions and conditions of the Master Indenture and that each Credit Group Member has kept, observed, performed and fulfilled each and every covenant, provision and condition of the Master Indenture on its part to be performed and none of such Credit Group Members is in default in the performance or observance of any of the terms, covenants, provisions or conditions, or if any Credit Group Member shall be in default such certificate shall specify all such defaults and the nature thereof.

(e) Notwithstanding the foregoing, the results of operation and financial position of Immaterial Affiliates (as defined in the Master Indenture) need not be excluded from financial statements delivered pursuant to this Section 5.13 or Section 3.12 of the Master Indenture, and such results of operation and financial position may be considered as if they were a portion of the results of operation and financial position of the Material Credit Group Members for all purposes of the Master Indenture notwithstanding the inclusion of the results of operation and financial position of such Immaterial Affiliates.

(f) promptly upon the request of the Authority or the Bond Trustee, such other information regarding the financial position, results of operations, business or prospects of the Corporation and the Obligated Group as such party may reasonably request from time to time;

In addition to the foregoing, the Corporation shall, at any reasonable time and from time to time, upon prior written notice, permit the Authority and the Bond Trustee, and their respective representatives and agents, to (i) inspect the premises and the accounting records and the books of the Corporation for the purpose of verifying compliance by the Corporation with the covenants contained herein and all of the terms of the Act, (ii) examine and make copies of and abstracts from the accounting records and books of account of the Corporation, (iii) discuss the affairs, finances and accounts of the Corporation with any of its officers or directors and (iv) upon notice to the Corporation, communicate with the Corporation's independent certified public accountants.

Section 5.14 Post-Issuance Compliance Undertaking. The Corporation acknowledges that the Internal Revenue Service mandates certain filing requirements with respect to post-issuance tax compliance, private use and/or unrelated trade or business use, including the proper method for computing whether any such use has occurred under Section 145 of the Code. The Corporation covenants that it will undertake to determine (or have determined on its behalf) the information required to be reported on the IRS Form 990 (Schedule K) Supplemental Information on Tax-Exempt Bonds on an annual basis and will undertake to comply with the aforementioned filing requirements and any related requirements that may be applicable to the Bonds and the Corporation (collectively, the "Post-Issuance Requirements"). The Corporation is currently not required to file IRS Form 990. Further, the Corporation covenants that it has adopted, or, if not, will promptly adopt, management practices and procedures to ensure the Corporation complies with the Post-Issuance Requirements with respect to the Bonds.

Section 5.15 Retention of Post-Issuance Compliance Expert. The Corporation has retained the firm of [Bond Logistix LLC] to provide certain post-issuance tax compliance

services that may be required from time to time with respect to the Bonds. [BDV Note: Confirm.]

Section 5.16 Compliance With United States And California Constitutions. The Corporation covenants and agrees that it will not restrict, or grant preferences in, admissions of patients to its health care facilities on racial or religious grounds. On or before June 30 of each year, the Corporation will furnish to the Authority a Certificate of the Corporation stating that (i) no facility, place or building financed or refinanced with any portion of the proceeds of the Bonds has been used primarily for sectarian instruction or study or is a place for devotional activities or religious worship; (ii) the Corporation does not restrict admissions of patients to its health care facilities on grounds of race, national origin, ethnic group identification, religion, age, sex, sexual orientation, color, genetic information, or disability, and (iii) the Corporation is a “participating health institution” and operates “health facilities” as those terms are defined in the Act. The Authority and its designees shall have the right, but shall not be obligated, to inspect such health care facilities at all reasonable times for the purpose of verifying the foregoing Certificate of the Corporation and due compliance by the Corporation with the Constitutions of the United States and of the State. This covenant shall survive the payment in full or defeasance of the Bonds.

The Corporation covenants and agrees that it will comply with Sections 15459.1 through 15459.4 of the California Health Facilities Financing Authority Act, constituting Part 7.2 of Division 3 of Title 2 of the Government Code of the State, as amended.

Section 5.17 Compliance with Bond Indenture. The Corporation hereby agrees to all of the terms and provisions of the Bond Indenture and accepts each of its obligations thereunder. Without limiting the foregoing, the Authority may assign its rights under this Loan Agreement as set forth in the Bond Indenture. The Corporation hereby approves the initial appointment under the Bond Indenture of the Bond Trustee

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

Section 6.1 Events of Default. Each of the following events shall constitute and be referred to herein as a “Loan Default Event”:

(a) failure by the Corporation to pay in full any payment required hereunder or under Obligation No. 6 when due, whether on an interest payment date at maturity, upon a date fixed for prepayment, by declaration, upon purchase pursuant to the Bond Indenture, or otherwise pursuant to the terms hereof or thereof;

(b) if any material representation or warranty made by the Corporation herein or made by the Corporation or any Member in any document, instrument or certificate furnished to the Bond Trustee or the Authority in connection with the issuance of Obligation No. 6 or the Bonds shall at any time prove to have been incorrect in any respect as of the time made;

(c) If the Corporation shall fail to observe or perform any other covenant, condition, agreement or provision in this Loan Agreement on its part to be observed or

performed, other than as referred to in subsection (a) or (b) of this Section, or shall breach any warranty by the Corporation herein contained, for a period of sixty (60) days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to the Corporation by the Authority or the Bond Trustee; except that, if such failure or breach can be remedied but not within such sixty-(60) day period and if the Corporation has taken all action reasonably possible to remedy such failure or breach within such sixty-(60) day period, such failure or breach shall not become a Loan Default Event for so long as the Corporation shall diligently proceed to remedy such failure or breach in accordance with and subject to any directions or limitations of time established by the Bond Trustee;

(d) If the Corporation files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the Corporation's facilities;

(e) If a court of competent jurisdiction shall enter an order, judgment or decree declaring the Corporation an insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Corporation or of the whole or any substantial part of the Corporation's facilities, or approving a petition filed against the Corporation seeking reorganization of the Corporation under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof;

(f) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Corporation's facilities, and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control;

(g) Any Event of Default as defined in and under the Bond Indenture;

(h) Any Event of Default as defined in and under the Master Indenture; or

(i) if the Corporation shall abandon the Corporation's facilities or any substantial part thereof and such abandonment shall continue for a period of sixty (60) days after written notice thereof shall have been given to the Corporation by the Authority or the Bond Trustee.

Section 6.2 Remedies in General. Upon the occurrence and during the continuance of any Loan Default Event, the Authority or the Bond Trustee, on behalf of the Authority, but subject to the limitations in the Bond Indenture as to the enforcement of remedies, may take such action as it deems necessary or appropriate to collect amounts due hereunder, to enforce performance and observance of any obligation or agreement of the Corporation hereunder or to protect the interests securing the same, and may, without limiting the generality of the foregoing:

(a) Exercise any or all rights and remedies given hereby or available hereunder or given by or available under any other instrument of any kind securing the

Corporation's performance hereunder (including, without limitation, Obligation No. 6 and the Master Indenture);

(b) By written notice to the Corporation declare all Loan Repayments and Additional Payments to be immediately due and payable under this Loan Agreement, whereupon the same shall become immediately due and payable; and

(c) Take any action at law or in equity to collect the payment required hereunder then due, whether on the stated due date or by declaration of acceleration or otherwise, for damages or for specific performance or otherwise to enforce performance and observance of any obligation, agreement or covenant of the Corporation hereunder.

Section 6.3 Discontinuance or Abandonment of Default Proceedings. If any proceeding taken by the Bond Trustee on account of any Loan Default Event shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Bond Trustee, then and in every case, the Authority, the Bond Trustee and the Corporation shall be restored to their former position and rights hereunder, respectively, and all rights, remedies and powers of the Authority and the Bond Trustee shall continue as though no such proceeding had taken place.

Section 6.4 Remedies Cumulative. No remedy conferred upon or reserved to the Authority or the Bond Trustee hereby or now or hereafter existing at law or in equity or by statute, shall be exclusive but shall be cumulative with all others. Such remedies are not mutually exclusive and no election need be made among them, but any such remedy or any combination of such remedies may be pursued at the same time or from time to time so long as all amounts realized are properly applied and credited as provided herein. No delay or omission to exercise any right or power accruing upon any Loan Default Event shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient by the Authority or the Bond Trustee. In the event of any waiver of a Loan Default Event hereunder, the parties shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any other or subsequent Loan Default Event or impair any right arising as a result thereof. In order to entitle the Bond Trustee to exercise any remedy reserved to it, it shall not be necessary to give notice other than as expressly required herein.

Section 6.5 Attorney's Fees and Other Expenses. If, as a result of the occurrence of a Loan Default Event, the Bond Trustee employs attorneys or incurs other expenses for the collection of payments due hereunder or for the enforcement of performance or observance of any obligation or agreement on the part of the Corporation, the Corporation shall, on demand, reimburse the Bond Trustee for the reasonable fees of such attorneys and such other reasonable expenses so incurred.

Section 6.6 Notice of Default. As soon as is practicable and in any event within ten (10) days after the Corporation has actual knowledge of the occurrence of any event which is a Loan Default Event, the Corporation shall furnish the Bond Trustee and the Authority notice of such event to the extent it has occurred and is continuing on the date of such notice, which notice

shall set forth the nature of such event and the action which the Corporation proposes to take with respect thereto.

Section 6.7 Application of Moneys Collected. Any amounts collected pursuant to action taken under this Article shall be applied in accordance with the provisions of Article VII of the Bond Indenture, and to the extent applied to the payment of amounts due on the Bonds shall be credited against amounts due on Obligation No. 6.

Section 6.8 No Prevailing Party. Nothing in this Loan Agreement shall be construed to provide for award of attorneys' fees and costs to the Authority or the Corporation for the enforcement of this Loan Agreement as described in Section 1717 of the Civil Code. Nothing in this Section affects the rights of the Bond Trustee provided herein.

ARTICLE VII

MISCELLANEOUS

Section 7.1 Amendments and Supplements. This Loan Agreement may be amended, changed or modified only as provided in Section 6.08 of the Bond Indenture.

Section 7.2 Time of the Essence; Non-Business Days. Time shall be of the essence for purposes of this Loan Agreement. When any action is provided for herein to be done on a day named or within a specified time period, and the day or the last day of the period falls on a day other than a Business Day, such action may be performed on the next ensuing Business Day with the same effect as though performed on the appointed day or within the specified period.

Section 7.3 Binding Effect. This Loan Agreement binds and benefits the parties and their respective successors and assigns, however, that the Bond Trustee shall have only such duties and obligations as are expressly given to it hereunder.

Section 7.4 Entire Agreement. This Loan Agreement constitutes the entire agreement between the Corporation and the Authority with respect to the subject matter of this Loan Agreement and supersedes all prior agreements and understandings, both written and oral, with respect to the subject matter of this Loan Agreement.

Section 7.5 Severability. If any covenant, agreement or provision, or any portion thereof contained in this Loan Agreement, where the application thereof to any Person or circumstance is held to be unconstitutional, invalid or unenforceable, the remainder of this Loan Agreement and the application of such covenant, agreement or provision, or portion thereof, to other Persons or circumstances, shall be deemed severable and shall not be affected thereby, and this Loan Agreement shall remain valid, and the Bondholders shall retain all valid rights and benefits accorded to them under this Loan Agreement and the Constitution and laws of the State of California.

Section 7.6 Notices. (a) Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be deemed sufficiently given or served if given by electronic transmission, facsimile

transmission or in writing, mailed by first-class mail, postage prepaid and addressed as follows:
[BDV Note: Confirm no changes.]

(i) to the Authority at:

California Health Facilities Financing Authority
915 Capitol Mall, Suite 590
Sacramento, California 95843
Attention: Executive Director
Telephone: (916) 653-2799
Facsimile: (916) 654-5362

(ii) to the Corporation or the Credit Group Representative at:

El Camino Hospital
2500 Grant Road
Mountain View, CA 94040
Attn: Chief Financial Officer
Telephone: (650) 940-7073
Facsimile: (650) 940-7261

(iii) to the Bond Trustee at:

Wells Fargo Bank, National Association
333 Market Street, 18th Floor
San Francisco, CA 94105
Attention: Corporate Trust Services
Telephone: (415) 371-3357
Facsimile: (415) 371-3400

(b) The Corporation, the Authority, the Bond Trustee or the Credit Group Representative may at any time and from time to time by notice in writing to the other Persons listed in Section 7.6(a) designate a different address or addresses for notice under this Loan Agreement.

Section 7.7 Rules of Construction. The parties hereto acknowledge that each such party and its respective counsel have participated in the drafting and revision of this Loan Agreement and the Bond Indenture. Accordingly, the parties agree that the Authority shall not be deemed to be the drafting party of this Loan Agreement or the Bond Indenture for purposes of any rule of construction which disfavors the drafting party.

Section 7.8 Benefits of Agreement. The Indemnified Parties (other than the Authority) are third party beneficiaries of Section 5.4 in accordance with its terms. Any amendment or modification of this Loan Agreement executed by the parties is binding upon such Indemnified Parties, and any action or consent taken by the Authority on its own behalf is binding on such Indemnified Parties for the purposes of this Loan Agreement; provided no Indemnified Party other than the Authority shall be bound without its consent to any amendment or modification of the provisions of Section 5.4 providing (i) rights and performance of

Indemnified Parties other than the Authority or (ii) performance by the Corporation for the benefit of Indemnified Parties other than the Authority.

The Bond Trustee is a third party beneficiary of Section 4.2 in accordance with its terms. Subject to the Bond Indenture, any amendment or modification of this Loan Agreement executed by the parties is binding upon the Bond Trustee, and any action or consent taken by the Authority on its own behalf is binding on the Bond Trustee for the purposes of this Loan Agreement; provided the Bond Trustee shall not be bound without its consent to any amendment or modification of the provisions of Section 4.2 providing (i) rights and performance of the Bond Trustee or (ii) performance by the Corporation for the benefit of the Bond Trustee.

This Loan Agreement is not intended to, nor may it be deemed to, create any rights of enforcement in any Person who is not a party to this Loan Agreement, an Indemnified Party or the Bond Trustee.

Section 7.9 Term. Except as otherwise provided herein this Loan Agreement shall remain in full force and effect from the date of execution hereof until no Bonds remain Outstanding under the Bond Indenture and all payments required hereunder have been made.

Section 7.10 Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 7.11 Governing Law; Venue. The laws of the State of California govern all matters arising out of or relating to this Loan Agreement, including, without limitation, its validity, interpretation, construction, performance, and enforcement.

Any party bringing a legal action or proceeding against any other party arising out of or relating to this Loan Agreement shall bring the legal action or proceeding in the Sacramento County Superior Court, Sacramento, California, unless the Authority waives this requirement in writing. Each party agrees that the exclusive (subject to waiver as set forth herein) choice of forum set forth in this section does not prohibit the enforcement of any judgment obtained in that forum or any other appropriate forum. Each party waives, to the fullest extent permitted by law, (a) any objection which may now or later have to the laying of venue of any legal action or proceeding arising out of or relating to this Loan Agreement brought in the Sacramento County Superior Court, Sacramento, California, and (b) any claim that any such action or proceeding brought in such court has been brought in an inconvenient forum.

IN WITNESS WHEREOF, the Authority and the Corporation have caused this Loan Agreement to be executed in their respective corporate names as of the day and year first above written.

CALIFORNIA HEALTH FACILITIES
FINANCING AUTHORITY

By: _____
Deputy Treasurer
For Chairman, State Treasurer John Chiang

By: _____
Executive Director

EL CAMINO HOSPITAL

By: _____
Authorized Representative

EXHIBIT A

Project:

To reimburse, finance and/or refinance the costs of the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities of the Corporation, which includes upgrades and capital projects at El Camino Hospital – Mountain View, located at or on the campus generally located at 2500 Grant Road in Mountain View, California 94040, including constructing, furnishing and equipping a new Behavioral Health Services Building and a new Integrated Medical Office Building, and constructing and equipping a new parking structure associated with such Integrated Medical Office Building, constructing and equipping the North Drive Garage expansion, demolition of the North Addition to the old main hospital building preparatory to construction of the Integrated Medical Office Building, additional construction, furnishing and equipping of the Central Utility Plant, and expanding, remodeling, renovating, furnishing and equipping the Women's Hospital Building.

Att. 06 06 DRAFT Bond Indenture

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Bond Trustee

BOND INDENTURE

DATED AS OF NOVEMBER 1, 2016

\$(PAR)

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
REVENUE BONDS
(EL CAMINO HOSPITAL)
SERIES 2016

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This BOND INDENTURE, made and entered into as of November 1, 2016 (the “Bond Indenture”), by and between the CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY, a public instrumentality of the State of California (the “Authority”), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, being qualified to accept and administer the trusts hereby created (in such capacity, the “Bond Trustee”);

W I T N E S S E T H:

WHEREAS, the Authority is a public instrumentality of the State of California, created by the California Health Facilities Financing Authority Act (constituting Part 7.2 of Division 3 of Title 2 of the Government Code of the State of California) (the “Act”), authorized to issue revenue bonds to finance construction, expansion, remodeling, renovation, furnishing, equipping, and acquisition of health facilities (including by reimbursing expenditures made for such purpose) and to refund and refinance certain indebtedness; and

WHEREAS, El Camino Hospital is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the “Corporation”) and is a participating health institution (as defined in the Act); and

WHEREAS, the Corporation has requested that the Authority issue one or more series of its revenue bonds in an aggregate principal amount not to exceed \$[PAR], and make one or more loans of the proceeds thereof to the Corporation to (i) reimburse, finance and refinance costs of the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of certain health facilities of the Corporation, as more particularly described under the caption “Project” in Exhibit A to the Loan Agreement (the “Project”), (ii) finance interest payable on the Bonds through _____, 20__ and (iii) pay costs of issuance of the Bonds (as defined below); and

WHEREAS, the Authority has authorized the issuance of the California Health Facilities Financing Authority Revenue Bonds (El Camino Hospital), Series 2016 (the “Bonds”), in an aggregate principal amount of \$[PAR] and the loan of the proceeds thereof to the Corporation for the purposes set forth in the above recital; and

WHEREAS, the Authority has entered into a loan agreement, dated as of November 1, 2016 (the “Loan Agreement”), with the Corporation, specifying the terms and conditions of a loan by the Authority to the Corporation of the proceeds of the Bonds to finance the Project and providing for the payment by the Corporation to the Authority of amounts sufficient for the full payment of the principal of and interest and premium, if any, on the Bonds and certain related costs and expenses; and

WHEREAS, pursuant to a master trust indenture, dated as of March 1, 2007, as supplemented and amended (the “Master Indenture”), between the Corporation and Wells Fargo Bank, National Association, as master trustee (in such capacity, the “Master Trustee”), and a Supplemental Master Indenture for Obligation No. 6, dated as of November 1, 2016, between the Corporation and the Master Trustee (“Supplement No. 6”), the Corporation has issued its Obligation No. 6 to evidence the joint and several obligation of the Members to make all

payments under the Loan Agreement, including amounts sufficient to pay the principal of, premium, if any, and interest on the Bonds; and

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof, premium, if any, and interest thereon, the Authority has authorized the execution and delivery of this Bond Indenture; and

WHEREAS, the Bonds and the Bond Trustee's certificate of authentication and assignment to appear thereon shall be in substantially the form set forth in Exhibit A hereto and incorporated into this Bond Indenture by this reference, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Bond Indenture; and

WHEREAS, all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Bond Trustee and duly issued, the valid, binding and legal limited obligations of the Authority, and to constitute this Bond Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Bond Indenture have been in all respects duly authorized; and

NOW, THEREFORE, THIS BOND INDENTURE WITNESSETH, that in order to secure the payment of the principal of, premium, if any, and the interest on all Bonds at any time issued and outstanding under this Bond Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the holders thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, the Authority does hereby covenant and agree with the Bond Trustee, for the benefit of the respective holders from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

SECTION 1.01 Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Bond Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

Act

“Act” means the California Health Facilities Financing Authority Act, constituting Part 7.2 of Division 3 of Title 2 of the Government Code of the State of California as now in effect and as it may from time to time hereafter be amended or supplemented.

Additional Payments

“Additional Payments” means the payments so designated and required to be made by the Corporation pursuant to Section 4.2 of the Loan Agreement.

Administrative Fees and Expenses

“Administrative Fees and Expenses” means any application, commitment, financing or similar fee charged, or reimbursement for administrative or other expenses incurred, by the Authority or the Bond Trustee, including Additional Payments.

Authority

“Authority” means the California Health Facilities Financing Authority created pursuant to, and as defined in, the Act, and its successors and assigns.

Authorized Representative

“Authorized Representative” means with respect to the Corporation in whatever capacity it may then be acting, the chairperson, vice-chairperson, or secretary of its governing body, its chief executive officer, its chief financial officer or any other person designated as an Authorized Representative of the Corporation by a Certificate of the Corporation signed by one of the above parties and filed with the chairperson and the Bond Trustee.

“Authorized Representative” means with respect to the Authority, its Chairman (or any Deputy), Executive Director, or any other Person or Persons designated as an Authorized Representative of the Authority by a Certificate of the Authority signed by its Chairman (or any Deputy), or Executive Director. Such authorization shall remain in effect until the Bond Trustee has received written notice to the contrary accompanied by a new designation.

Beneficial Owner

“Beneficial Owner” means any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any of the Bonds (including any Person holding Bonds through nominees, depositories or other intermediaries).

Bond Counsel

“Bond Counsel” means Orrick, Herrington & Sutcliffe LLP or another attorney at law, or firm of such attorneys, of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on obligations issued by states and their political subdivisions and acceptable to the Authority.

Bond Indenture

“Bond Indenture” means this Bond Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Bond Indenture.

Bond Trustee

“Bond Trustee” means Wells Fargo Bank, National Association, a national banking association organized and existing under and by virtue of the laws of the United States, or its successor, as Bond Trustee hereunder, as provided in Section 8.01.

Bonds; Serial Bonds; Term Bonds

“Bonds” means the California Health Facilities Financing Authority Revenue Bonds (El Camino Hospital), Series 2016, authorized by, and at any time Outstanding pursuant to, this Bond Indenture.

“Serial Bonds” means Bonds, falling due by their terms in specified years, for which no Mandatory Sinking Account Payments have been established.

“Term Bonds” means the Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for the purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

Business Day

“Business Day” means a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State, the State of New York or in any state in which the office of the Master Trustee or the Bond Trustee is located are authorized to remain closed or a day on which the New York Stock Exchange is closed.

Certificate, Statement, Request, Requisition or Order of the Authority or the Corporation

“Certificate,” “Statement,” “Request,” “Requisition” and “Order” of the Authority or the Corporation, mean, respectively, a written certificate, statement, request, requisition or order signed (i) in the name of the Authority by an Authorized Representative of the Authority, or (ii) in the name of the Corporation by an Authorized Representative of the Corporation. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.02, each such instrument shall include the statements provided for in Section 1.02.

Code

“Code” means the Internal Revenue Code of 1986, or any successor statute thereto, and any regulations promulgated thereunder.

Continuing Disclosure Certificate

“Continuing Disclosure Certificate” means the continuing disclosure certificate executed by the Corporation with respect to the Bonds on the Date of Issuance pursuant to Section 5.7 of the Loan Agreement.

Corporate Trust Office

“Corporate Trust Office” means the office of the Bond Trustee, which as of the date hereof is located at 333 Market Street, 18th Floor, San Francisco, California 94105, Attention: Corporate Trust Department (facsimile: 415-371-3400), or such other or additional offices as shall be specified by the Bond Trustee in writing delivered to the Authority and the Corporation.

Corporation

“Corporation” means El Camino Hospital, a California nonprofit public benefit corporation duly organized and existing under the laws of the State, or any corporation that is the surviving, resulting or transferee corporation in any merger, consolidation or transfer of all or substantially all assets permitted under the Master Indenture.

Costs of Issuance

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority or the Corporation and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Bond Trustee and the Master Trustee, initial and ongoing fees and charges of the Authority, legal fees and charges, fees and disbursements of consultants and professionals, Rating Agency fees, fees and charges for preparation, execution, transportation and safekeeping of the Bonds, and any other cost, charge or fee in connection with the original issuance of the Bonds.

Costs of Issuance Fund

“Costs of Issuance Fund” means the fund by that name established pursuant to Section 3.04.

Credit Group Representative

“Credit Group Representative” shall have the meaning set forth in Section 1.01 of the Master Indenture.

Date of Issuance

“Date of Issuance” means November __, 2016.

Environmental Laws

“Environmental Laws” means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Materials, chemical waste, materials or substances to which the Corporation or any properties of the Corporation are subject.

ERISA

“ERISA” means the Employee Retirement Income Security Act of 1974.

Event of Default

“Event of Default” means any of the events specified in Section 7.01.

Favorable Opinion of Bond Counsel

“Favorable Opinion of Bond Counsel” means, with respect to any action the occurrence of which requires such an opinion, an opinion of Bond Counsel, addressed to the Authority and the Bond Trustee, to the effect that such action is permitted under the Bond Indenture and will not in and of itself result in the inclusion of interest on the Bonds in gross income for federal income tax purposes.

Fiscal Year

“Fiscal Year” shall have the meaning set forth in the Master Indenture.

Fitch

“Fitch” means Fitch Ratings, Inc. a corporation organized and existing under the laws of the State of New York, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Corporation by notice to the Authority and the Bond Trustee.

Hazardous Materials

“Hazardous Materials” means (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Project or to persons on or about the Project or (ii) cause the Project to be in violation of any Environmental Laws; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of “waste,” “hazardous substances,” “hazardous wastes,” “hazardous materials,” “extremely hazardous waste,” “restricted hazardous waste,” or “toxic substances” or words of similar import under any Environmental Laws including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), 42 USC §§ 9601 et seq.; the Resource Conservation and Recovery Act (“RCRA”), 42 USC §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 USC §§ 1801 et seq.; the Federal Water Pollution Control Act, 33 USC §§ 1251 et seq.; the California Hazardous Waste Control Law (“HWCL”), Cal. Health & Safety Code §§ 25100 et seq.; the Hazardous Substance Account Act (“HSAA”), Cal. Health & Safety Code §§ 25300 et seq.; the Underground Storage of Hazardous Substances Act, Cal. Health & Safety Code §§ 25280 et seq.; the Porter-Cologne Water Quality Control Act (the “Porter-Cologne Act”), Cal. Water Code §§ 13000 et seq., the Safe Drinking Water and Toxic

Enforcement Act of 1986 (Proposition 65); and Title 22 of the California Code of Regulations, Division 4, Chapter 30; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Project or the owners and/or occupants of property adjacent to or surrounding the Project, or any other person coming upon the Project or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

Hazardous Material Activity

“Hazardous Material Activity” means any actual, proposed or threatened storage, holding, existence, release, emission, discharge, generation, processing, abatement, removal, disposition, handling or transportation or any Hazardous Materials from, under into or on the Project or surrounding property.

Holder or Bondholder

“Holder” or “Bondholder,” whenever used herein with respect to a Bond, means the Person in whose name such Bond is registered.

Interest Account

“Interest Account” means the account by that name established in the Revenue Fund pursuant to Section 5.02.

Interest Payment Date

“Interest Payment Date” means February 1 and August 1 of each year, commencing February 1, 2017.

Investment Securities

“Investment Securities” means any of the following:

- (a) United States Government Obligations;
- (b) direct obligations of any United States Government agency or instrumentality;
- (c) obligations issued by any state of the United States of America, or any political subdivision thereof, rated by at least two Rating Agencies at the time of purchase in one of the three highest Rating Categories, and obligations fully secured by and payable solely from an escrow fund held by a trustee consisting of cash or obligations described in (1) of the definition of United States Government Obligations;
- (d) (1) debt obligations of any United States corporation or trust, which obligations are rated by at least two Rating Agencies at the time of purchase in one of the three highest Rating Categories, or (2) commercial paper rated by at least two nationally recognized

Rating Agencies at the time of purchase in the highest Rating Category (without incorporating refinements or gradation of Rating Category by numerical modifier or otherwise);

(e) certificates of deposit or time deposits of any bank, trust company or savings and loan which deposits are fully insured by a federally sponsored deposit insurance program;

(f) bankers acceptances of any bank which bank or its parent holding company's debt conforms to the rating requirements of (d) above;

(g) repurchase agreements, entered in conformance with prevailing industry standard guidelines, of obligations described in (1) of the definition of United States Government Obligations or (b) above, delivered versus payment to the trustee and continuously collateralized at 102% or greater, with counterparties having debt rated in conformance with the rating requirements of (d) above;

(h) investment agreements of any corporation which agreements or the corporation's long term debt is rated by at least two nationally recognized rating agencies at the time of entrance into such agreement in one of the three highest rating categories;

(i) shares of a money market fund (including funds of the Bond Trustee or its affiliates) or commingled trust which fund or trust's investments are restricted to these Investment Securities.

Loan Agreement

"Loan Agreement" means that certain loan agreement by and between the Authority and the Corporation, dated as of November 1, 2016, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of this Bond Indenture.

Loan Default Event

"Loan Default Event" means any of the events specified in Section 6.1 of the Loan Agreement.

Loan Repayments

"Loan Repayments" means the payments so designated and required to be made by the Corporation pursuant to Section 4.1 of the Loan Agreement.

Mandatory Sinking Account Payment

"Mandatory Sinking Account Payment" means the amount required by Section 5.04 to be paid on any single date for the retirement of Bonds.

Master Indenture

“Master Indenture” means that certain master trust indenture, dated as of March 1, 2007, between the Corporation and the Master Trustee, as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

Master Trustee

“Master Trustee” means Wells Fargo Bank, National Association, a national banking association duly organized and existing under the laws of the United States of America, or its successor, as master trustee under the Master Indenture.

Members

“Members” means the Corporation and each other Person that is then obligated as a Member under and as defined in the Master Indenture.

Moody’s

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Corporation by notice to the Authority and the Bond Trustee.

MSRB

“MSRB” means the Municipal Securities Rulemaking Board.

Obligated Group

“Obligated Group” means the Corporation and each other Member.

Obligation No. 6

“Obligation No. 6” means the obligation issued under the Master Indenture and Supplement No. 6.

Official Statement

“Official Statement” means the official statement relating to the Bonds dated _____, 2016, as supplemented and amended.

Opinion of Counsel

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the Authority, the Corporation or the Bond Trustee) selected by the Corporation and not objected to by the Authority. If and to the extent required by the provisions of Section 1.02, each Opinion of Counsel shall include the statements provided for in Section 1.02.

Optional Redemption Account

“Optional Redemption Account” means the account by that name in the Redemption Fund established pursuant to Section 5.05.

Outstanding

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.09) all Bonds theretofore, or thereupon being, authenticated and delivered by the Bond Trustee under this Bond Indenture except: (1) Bonds theretofore cancelled by the Bond Trustee or surrendered to the Bond Trustee for cancellation; (2) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.02, including Bonds (or portions of Bonds) referred to in Section 11.10; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Bond Trustee pursuant to this Bond Indenture.

Person

“Person” means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

Principal Account

“Principal Account” means the account by that name established in the Revenue Fund pursuant to Section 5.02.

Principal Payment Date

“Principal Payment Date” means, with respect to a Bond, the date on which principal evidenced by such Bond becomes due and payable, whether at maturity, upon redemption, including but not limited to mandatory sinking account redemption, by declaration of acceleration or otherwise.

Program

“Program” means the Authority’s program of making loans under the Act.

Project

“Project” has the meaning set forth under the caption “Project” in Exhibit A to the Loan Agreement.

Project Fund

“Project Fund” means the fund by that name established pursuant to Section 3.03.

Rating Agency

“Rating Agency” means Fitch, Moody’s and S&P.

Rating Category

“Rating Category” means a generic securities rating category without regard to any refinement or gradation of such rating category by numerical modifier or otherwise.

Rebate Fund

“Rebate Fund” means the fund by that name established pursuant to Section 5.06.

Record Date

“Record Date” means, with respect to each Interest Payment Date, the fifteenth (15th) day (whether or not a Business Day) of the calendar month preceding the calendar month in which such Interest Payment Date falls.

Redemption Fund

“Redemption Fund” means the fund by that name established pursuant to Section 5.05.

Redemption Price

“Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and this Bond Indenture.

Release

“Release” means any release, spill, emission, leaking, pumping, pouring, injection, escaping, deposit, disposal, discharge, dispersal, leaching, or migration into the indoor or outdoor environment (including, without limitation, the abandonment or disposal of any barrels, containers or other closed receptacles containing any Hazardous Materials), or into or out of the Project, including the movement of any Hazardous Materials through the air, soil, surface water, groundwater or property.

Revenue Fund

“Revenue Fund” means the fund by that name established pursuant to Section 5.01.

Revenues

“Revenues” means all amounts received by the Authority or the Bond Trustee for the account of the Authority pursuant or with respect to the Loan Agreement or Obligation No. 6, including, without limiting the generality of the foregoing, Loan Repayments (including both

timely and delinquent payments and any late charges, and whether paid from any source), prepayments, insurance proceeds, condemnation proceeds and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to this Bond Indenture, but not including any indemnification payments or any Administrative Fees and Expenses (or Additional Payments) or any moneys required to be deposited in the Rebate Fund.

S&P

“S&P” means Standard & Poor’s Ratings Services, a Standard and Poor’s Financial Services LLC business, which is a subsidiary of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, or, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Corporation by notice to the Authority and the Bond Trustee.

Securities Depository

“Securities Depository” means The Depository Trust Company and its successors and assigns, or any other securities depository selected as set forth in Section 2.09 which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

Sinking Account

“Sinking Account” means each subaccount in the Principal Account so designated and established pursuant to Section 5.04(B).

Special Record Date

“Special Record Date” means the date established by the Bond Trustee pursuant to Section 2.02 as a record date for the payment of defaulted interest on the Bonds.

Special Redemption Account

“Special Redemption Account” means the account by that name in the Redemption Fund established pursuant to Section 5.05.

State

“State” means the State of California.

Supplement No. 6

“Supplement No. 6” means that certain supplemental master trust indenture for obligation No. 6, dated as of November 1, 2016, between the Corporation and the Master Trustee

pursuant to which Obligation No. 6 is issued, as originally executed and as amended or supplemented from time to time in accordance with the terms of the Master Indenture.

Supplemental Bond Indenture

“Supplemental Bond Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Bond Trustee, supplementing, modifying or amending this Bond Indenture; but only if and to the extent that such Supplemental Bond Indenture is specifically authorized hereunder.

Tax Certificate

“Tax Certificate” means the Tax Certificate and Agreement delivered by the Authority and the Corporation at the time of issuance and delivery of the Bonds, as the same may be amended or supplemented in accordance with its terms.

United States Government Obligations

“United States Government Obligations” means:

(1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of which are fully guaranteed by the United States of America;

(2) certificates or other instruments that evidence direct ownership of future principal and/or interest on obligations described in clause (1), provided that such obligations are held in the custody of a bank or trust company in a special account separate from the general assets of such custodian; and

(3) obligations (a) the interest on which is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, (b) the timely payment of the principal of and interest on which is fully provided for by the deposit in trust or escrow of cash or obligations described in clauses (1) or (2), and (c) that are rated in the highest Rating Category by each Rating Agency then rating both the Bonds and such obligations (but in all cases by at least one Rating Agency then rating the Bonds).

SECTION 1.02 Content of Certificates and Opinions. Every certificate or opinion provided for herein with respect to compliance with any provision hereof shall include (1) a statement that the Person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such Person, such person has made or caused to be made such examination or investigation as is necessary to enable such Person to express an informed opinion with respect to the subject matter referred to in the instrument to which such Person’s signature is affixed; and (4) a statement as to whether, in the opinion of such Person, such provision has been complied with (5) a statement of the assumptions upon which such certificate or opinion is based, and that such assumptions are reasonable.

Any such certificate or opinion made or given by an officer of the Authority or the Corporation may be based, insofar as it relates to legal, accounting or health care matters, upon a certificate or opinion of or representation by counsel, an accountant or a management consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an accountant or a management consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Authority or the Corporation, as the case may be) upon a certificate or opinion of or representation by an officer of the Authority or the Corporation, unless such counsel, accountant or management consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Authority or the Corporation, or the same counsel or accountant or management consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Bond Indenture, but different officers, counsel, accountants or management consultants may certify to different matters, respectively.

SECTION 1.03 Interpretation.

(A) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(B) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(C) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Bond Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Bond Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

THE BONDS

SECTION 2.01 Authorization of Bonds. An issue of Bonds to be issued hereunder to obtain money to carry out the purpose of the Program and for the benefit of the Corporation is hereby created. The Bonds are designated as "California Health Facilities Financing Authority Revenue Bonds (El Camino Hospital), Series 2016." The aggregate principal amount of Bonds that may be issued and Outstanding under this Bond Indenture shall not exceed \$[PAR]. This Bond Indenture constitutes a continuing agreement with the Holders from time to time of the Bonds to secure the full payment of the principal of and interest on all such Bonds subject to the covenants, provisions and conditions herein contained.

SECTION 2.02 Terms of the Bonds. The Bonds shall be issued as fully registered Bonds in denominations of \$5,000 or any integral multiple thereof within a maturity. The Bonds shall be initially registered in the name of Cede & Co., as nominee of the Securities Depository, or any successor thereto. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in this Article II. The Bonds shall be dated as of the Date of Issuance, and interest thereon shall be payable on each Interest Payment Date. The Bonds shall mature on the following dates in the following amounts (subject to the right of prior redemption set forth in Article IV) and shall bear interest at the following rates per annum:

<u>Maturity Date</u> <u>(February 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
	\$	%

The principal or Redemption Price of the Bonds shall be payable in lawful money of the United States of America at the Corporate Trust Office of the Bond Trustee upon surrender of the Bonds to the Bond Trustee for cancellation. Payment of the interest on any Bond shall be made on each Interest Payment Date to the Holder thereof as of the Record Date for each Interest Payment Date by check mailed by first-class mail on each Interest Payment Date to such Holder at his address as it appears on the registration books maintained by the Bond Trustee or, upon the written request of any Holder of at least \$1,000,000 in principal amount of Bonds, submitted to the Bond Trustee at least one Business Day prior to the Record Date, by wire transfer in immediately available funds to an account within the United States of America designated by such Bondholder.

The Bonds shall be numbered in consecutive numerical order from R-1 upwards, and each such Bond shall bear interest from the Date of Issuance. Interest shall be calculated on a three hundred sixty (360)-day year basis of twelve (12) thirty (30)-day months.

Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Record Date and shall be paid to the Person in whose name the Bond is registered at the close of business on a special record date ("Special Record Date") for the payment of such defaulted interest to be fixed by the Bond Trustee, notice of which shall be given to the Holders by first-class mail not less than ten (10) days prior to such Special Record Date.

The Bonds shall be subject to redemption as provided in Article IV.

SECTION 2.03 Execution of Bonds. The Bonds shall be executed in the name and on behalf of the Authority with the manual or facsimile signature of its Chairman (or any duly authorized Deputy to the Chairman) under its seal attested by the manual or facsimile signature of its Executive Director. Such seal may be in the form of a facsimile of the Authority's seal and may be reproduced, imprinted or impressed on the Bonds. The Bonds shall then be delivered to the Bond Trustee for authentication by it. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the Authority before the Bonds so signed or attested shall have been authenticated or delivered by the Bond Trustee or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though those who signed and attested the same had continued to be such officers of the Authority, and also any Bond may be signed and attested on behalf of the Authority by such persons as at the actual date of execution of such Bond shall be the proper officers of the Authority although at the nominal date of such Bond any such person shall not have been such officer of the Authority.

Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form attached hereto as Exhibit A, manually executed by an authorized signatory of the Bond Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Bond Indenture, and such certificate of the Bond Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Bond Indenture.

SECTION 2.04 Transfer of Bonds. Subject to the provisions of Section 2.09, any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.06, by the Person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Trustee, and such other documentation as the Bond Trustee may reasonably require.

Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Bond Trustee shall authenticate and deliver a new Bond or Bonds, of the same maturity and for a like aggregate principal amount of authorized denominations. The Bond Trustee shall require the Bondholder requesting such transfer to pay any tax or other governmental charge or charge imposed by the Bond Trustee required to be paid with respect to such transfer. The Bond Trustee shall not be required to transfer (i) any Bond during the fifteen

(15) days next preceding the date on which notice of redemption of Bonds is given or (ii) any Bond called for redemption.

SECTION 2.05 Exchange of Bonds. Subject to the provisions of Section 2.09, Bonds may be exchanged at the Corporate Trust Office of the Bond Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. The Bond Trustee shall require the Bondholder requesting such exchange to pay any tax or other governmental charge or charge imposed by the Bond Trustee required to be paid with respect to such exchange. The Bond Trustee shall not be required to exchange (i) any Bond during the fifteen (15) days next preceding the date on which notice of redemption of Bonds is given or (ii) any Bond called for redemption.

SECTION 2.06 Bond Register. The Bond Trustee will keep or cause to be kept sufficient books for the registration and transfer of the Bonds, which shall at all times, upon reasonable notice, be open to inspection by any Bondholder or his agent duly authorized in writing, the Authority or the Corporation; and, upon presentation for such purpose, the Bond Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Bonds as hereinbefore provided.

The Person in whose name any Bond shall be registered shall be deemed the owner thereof for all purposes thereof, and payment of or on account of the interest and principal or Redemption Price represented by such Bond shall be made only to or upon the order in writing of such Holder, which payment shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

SECTION 2.07 Temporary Bonds. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bond may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the Authority, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Bond Indenture as may be appropriate. A temporary Bond may be in the form of a single fully registered Bond payable in installments, each on the date, in the amount and at the rate of interest established for the Bonds maturing on such date. Every temporary Bond shall be executed by the Authority and be authenticated by the Bond Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds it will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Corporate Trust Office of the Bond Trustee, and the Bond Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of the same maturity or maturities. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Bond Indenture as definitive Bonds authenticated and delivered hereunder.

SECTION 2.08 Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Holder of said Bond, shall execute, and the Bond Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Bond Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Bond Trustee

shall be cancelled by it. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Bond Trustee and, if such evidence be satisfactory and indemnity satisfactory to the Bond Trustee and the Authority shall be given, the Authority, at the expense of the Holder, shall execute, and the Bond Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured, instead of issuing a substitute Bond, the Bond Trustee may pay the same without surrender thereof upon receipt of the above-mentioned indemnity). The Bond Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Authority and the Bond Trustee in complying with this Section. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Bond Indenture with all other Bonds secured by this Bond Indenture.

SECTION 2.09 Use of Securities Depository.

(A) The Bonds shall initially be issued as provided in Section 2.02. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except:

(i) To any successor to the Securities Depository or its nominee, or to any substitute Securities Depository designated pursuant to clause (ii) of this subsection (A) (“substitute Securities Depository”); provided that the successor to the Securities Depository or substitute Securities Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) To any substitute Securities Depository designated by the Authority (at the direction of the Corporation) and not objected to by the Bond Trustee, upon (1) the resignation of the Securities Depository or its successor (or any substitute Securities Depository or its successor); or (2) a determination by the Authority (at the direction of the Corporation) that the Securities Depository or its successor (or any substitute Securities Depository or its successor) is no longer able to carry out its functions as Securities Depository; provided, that any such substitute Securities Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) To any Person as provided below, upon (1) the resignation of the Securities Depository (or substitute Securities Depository or its successor) from its functions as Securities Depository; provided, that no substitute Securities Depository which is not objected to by the Bond Trustee can be obtained or (2) a determination by the Authority (with the concurrence of the Corporation) that it is in the best interests of the Authority to remove the Securities Depository (or any substitute Securities Depository or its successor) from its functions as Securities Depository.

(B) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (A) hereof, upon receipt of the Outstanding Bonds by the Bond Trustee, together with a Certificate of the Authority to the Bond Trustee, a single new Bond for each maturity shall be

executed and delivered in the aggregate principal amount of the Bonds of such maturity then Outstanding, registered in the name of the Securities Depository or such substitute Securities Depository, or their nominees, as the case may be, all as specified in such Certificate of the Authority. In the case of any transfer pursuant to clause (iii) of subsection (A) hereof, upon receipt of the Outstanding Bonds by the Bond Trustee, new Bonds shall be executed and delivered in such denominations numbered in consecutive order from R-1 up and registered in the names of such Person as are requested in such a Statement of the Authority, subject to the limitations of Section 2.02, provided the Bond Trustee shall not be required to deliver such new Bonds within a period less than sixty (60) days from the date of receipt of such Certificate of the Authority.

(C) If the Bonds are registered in the name of a Securities Depository as provided herein, in the case of partial redemption or an advance refunding of the Bonds evidencing all or a portion of the principal amount then Outstanding, the Securities Depository or its agent shall make an appropriate notation on the Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Bond Trustee.

(D) The Authority, the Corporation and the Bond Trustee shall be entitled to treat the Person in whose name any Bond is registered as the Bondholder thereof for all purposes of this Bond Indenture and any applicable laws, notwithstanding any notice to the contrary received by an officer of the Bond Trustee or the Authority; and the Authority and the Bond Trustee shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any Beneficial Owners of the Bonds. Neither the Authority, the Corporation nor the Bond Trustee shall have any responsibility or obligation, legal or otherwise, to the Beneficial Owners or to any other party including the Securities Depository or its successor (or substitute Securities Depository or its successor), except to the Holder of any Bond.

(E) Notwithstanding any other provision of this Bond Indenture to the contrary, so long as all Bonds are registered in the name of any nominee of the Securities Depository, any requirement for transfer or delivery of the Bonds, with respect to redemption or otherwise, may be effectuated by providing appropriate transfer instructions to the Securities Depository.

ARTICLE III

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

SECTION 3.01 Issuance of Bonds. At any time after the execution of this Bond Indenture, the Authority may execute and the Bond Trustee shall authenticate and, upon Request of the Authority, deliver the Bonds in the aggregate principal amount of \$[PAR].

SECTION 3.02 Application of Proceeds of Bonds. The proceeds received from the sale of the Bonds (\$_____, consisting of the aggregate principal amount of the Bonds of \$[PAR].00, plus net original issue premium of \$_____ and less an underwriters' discount of \$_____), shall be deposited in trust with the Bond Trustee, who shall forthwith deposit such proceeds as follows:

(A) The Bond Trustee shall deposit the sum of \$_____ in the Project Fund.

(B) The Bond Trustee shall deposit the sum of \$_____ in the Costs of Issuance Fund.

The Bond Trustee may, in its discretion, establish a temporary fund or account in its books and records to facilitate such transfers.

SECTION 3.03 Establishment and Application of Project Fund.

(A) The Bond Trustee shall establish, maintain and hold in trust a separate fund designated as the "Project Fund." The moneys in the Project Fund shall be used and withdrawn by the Bond Trustee to pay the costs of the Project, upon receipt of written direction of the Corporation. No moneys in the Project Fund shall be used to pay Costs of Issuance.

(B) Before any payment from the Project Fund for costs of the Project shall be made, the Corporation shall file or cause to be filed with the Bond Trustee a Requisition, in substantially the form attached hereto as Exhibit B, stating:

- (i) the item number of such payment;
- (ii) the name of the Person to whom each such payment is due, which may be the Corporation in the case of reimbursement for Project costs theretofore paid by the Corporation;
- (iii) the respective amounts to be paid;
- (iv) the purpose by general classification for which each obligation to be paid was incurred; and
- (v) that obligations in the stated amounts have been incurred by the Corporation and are presently due and payable and that each item thereof is a proper charge against the Project Fund and has not been previously paid from the Project Fund.

(C) Upon receipt of such a Requisition, the Bond Trustee shall pay the amount set forth in such Requisition as directed by the terms thereof out of the Project Fund. The Bond Trustee shall not make any such payment if it has received any written notice of claim of lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the monies to be so paid, that has not been released or will not be released simultaneously with such payment. Each such Requisition shall be sufficient evidence to the Bond Trustee of the facts stated therein and the Bond Trustee shall have no duty to confirm the accuracy of such facts.

(D) When the Project shall have been completed, there shall be delivered to the Bond Trustee a Certificate of the Corporation stating the fact and date of such completion and stating that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims that are subject to dispute and for which a retention in the Project Fund is to be maintained in the full amount of such claims until such dispute is resolved).

Upon the receipt of such Certificate, the Bond Trustee shall, as directed by said Certificate, transfer any remaining balance in the Project Fund to the Revenue Fund. Upon such transfer, the Project Fund shall be closed.

SECTION 3.04 Establishment and Application of Costs of Issuance Fund.
The Bond Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Bond Trustee to pay the Costs of Issuance upon Requisition of the Corporation substantially in the form attached hereto as Exhibit C stating the Person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against the Costs of Issuance Fund. On the date no later than 180 days after the Date of Issuance, or upon the earlier Request of the Corporation, amounts, if any, remaining in the Costs of Issuance Fund shall be transferred to the Project Fund and the Costs of Issuance Fund shall be closed.

SECTION 3.05 Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the Authority or the Bond Trustee with respect to or in connection with the Loan Agreement. The recital contained in the Bonds that the same are issued pursuant to the Act and the Constitution and laws of the State shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION OF BONDS

SECTION 4.01 Terms of Redemption.

(A) The Bonds maturing on February 1, 20__ are subject to redemption prior to their stated maturity in part, by lot, from Mandatory Sinking Account Payments established in Section 5.04(C) on any February 1, on or after February 1, 20__, at the principal amount thereof without premium.

The Bonds maturing on February 1, 20__ are subject to redemption prior to their stated maturity in part, by lot, from Mandatory Sinking Account Payments established in Section 5.04(D) on any February 1, on or after February 1, 20__, at the principal amount thereof without premium.

(B) The Bonds maturing on or after February 1, 20__ are subject to redemption prior to their stated maturity, at the option of the Corporation, which option shall be exercised upon Request of the Corporation given to the Bond Trustee (unless waived by the Bond Trustee in its sole discretion) at least twenty-five (25) days prior to such redemption date), from any source of available funds, as a whole or in part on any date, (in such amounts and maturities as may be specified by the Corporation), on or after February 1, 20__, by lot, at a Redemption Price equal to 100% of the principal amount of Bonds called for redemption, together with interest accrued thereon (if any) to the date fixed for redemption.

(C) The Bonds are subject to redemption prior to their stated maturity, at the option of the Corporation, which option shall be exercised upon Request of the Corporation given to the Bond Trustee (unless waived by the Bond Trustee in its sole discretion) at least twenty-five (25) days prior to the date fixed for redemption) in whole or in part (in such amounts and maturities as may be specified by the Corporation), by lot, on any date, from hazard insurance or condemnation proceeds received with respect to the facilities of any of the Members and deposited in the Special Redemption Account, at a Redemption Price equal to the principal amount thereof, together with interest accrued thereon (if any) to the date fixed for redemption, without premium.

(D) The Bonds are also subject to redemption prior to maturity at the option of the Corporation, which option shall be exercised upon Request of the Corporation given to the Bond Trustee, as a whole (but not in part) on any date at the principal amount thereof and interest accrued thereon (if any) to the date fixed for redemption, without premium, if as a result of any changes in the Constitution of the United States of America or any state, or legislative or administrative action or inaction by the United States of America or any state, or any agency or political subdivision thereof, or by reason of any judicial decisions there is a good faith determination by any Member that (a) the Master Indenture has become void or unenforceable or impossible to perform, or (b) unreasonable burdens or excessive liabilities have been imposed on such Member, including without limitation, federal, state or other ad valorem property, income or other taxes being then imposed which were not being imposed on the Date of Issuance.

SECTION 4.02 Selection of Bonds for Redemption. Whenever provision is made in this Bond Indenture for the redemption of less than all of the Bonds or any given portion thereof, the Bond Trustee shall select the Bonds to be redeemed, from all Bonds subject to redemption or such given portion thereof not previously called for redemption, by lot; provided, however that in such instances as provided for herein where the Corporation is to specify the maturities of Bonds to be redeemed, the Bond Trustee shall redeem Bonds in accordance with any such specification.

SECTION 4.03 Notice of Redemption.

(A) Notice of redemption shall be mailed by first-class mail by the Bond Trustee, not less than twenty (20) days and not more than sixty (60) days prior to the redemption date, to (i) the respective Holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Bond Trustee, and (ii) the Authority, the Securities Depository and the MSRB. Each notice of redemption shall state the date of such notice, the Date of Issuance, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Bond Trustee) the maturity (including CUSIP numbers, if any), and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. The Corporation may instruct the Bond

Trustee to make any notice of optional redemption conditional upon receipt of funds for the redemption or any other conditions specified in such notice.

(B) Any notice of optional redemption hereunder may be rescinded by written notice given by the Corporation to the Bond Trustee no later than five (5) Business Days prior to the date specified for redemption. The Bond Trustee shall give notice of such rescission as soon thereafter as practicable to the same parties and in the same manner as the notice of redemption was given pursuant to this Section 4.03, no Event of Default shall exist hereunder and the Bonds shall remain Outstanding.

(C) Failure by the Bond Trustee to give notice pursuant to this Section 4.03 to the Authority or any one or more of the Securities Depository, MSRB or Rating Agencies, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. Failure by the Bond Trustee to mail notice of redemption (or failure by any such Holder or Holders to receive said notice) pursuant to this Section 4.03 to any one or more of the respective Holders of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

(D) Notice of redemption of Bonds shall be given by the Bond Trustee, at the expense of the Corporation, for and on behalf of the Authority.

SECTION 4.04 Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Authority shall execute and the Bond Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Corporation, a new Bond or Bonds of authorized denominations, and of the same maturity, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

SECTION 4.05 Effect of Redemption.

(A) Notice of redemption having been duly given as aforesaid, and any conditions set forth therein being satisfied and such notice has not been rescinded (in each case as provided in Section 4.03), and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption being held by the Bond Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice, together with interest accrued thereon to the redemption date, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Bond Indenture, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the date fixed for redemption from funds held by the Bond Trustee for such payment.

(B) All Bonds redeemed pursuant to the provisions of this Article shall be cancelled by the Bond Trustee upon surrender thereof and disposed of in a manner deemed appropriate by it.

SECTION 4.06 Purchase in Lieu of Redemption. Each Holder or Beneficial Owner, by purchase and acceptance of any Bond, irrevocably grants to the

Corporation the option to purchase such Bond at any time such Bond is subject to optional redemption as described in Section 4.01 of this Bond Indenture. Such Bond is to be purchased at a purchase price equal to the then applicable redemption price of such Bond. The Corporation shall deliver a Favorable Opinion of Bond Counsel to the Bond Trustee, and shall direct the Bond Trustee to provide notice of mandatory purchase, such notice to be provided, as and to the extent applicable, in accordance with Section 4.03 of this Bond Indenture and to select Bonds subject to mandatory purchase in the same manner as Bonds called for optional redemption pursuant to this Bond Indenture. On the date fixed for purchase of any Bond in lieu of redemption as described in this Section, the Corporation shall pay the purchase price of such Bond to the Bond Trustee in immediately available funds, and the Bond Trustee shall pay the same to the Holders of the Bonds being purchased against delivery thereof. No purchase of any Bond in lieu of redemption as described in this Section shall operate to extinguish the indebtedness of the Corporation evidenced by such Bond. No Holder or Beneficial Owner may elect to retain a Bond subject to mandatory purchase in lieu of redemption. The Corporation may exercise its option to purchase Bonds, in whole or in part, in accordance with this Section.

ARTICLE V

REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

SECTION 5.01 Pledge and Assignment; Revenue Fund.

(A) Subject only to the provisions of this Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, there are hereby pledged to secure the payment of the principal (and Redemption Price) of and interest on the Bonds in accordance with their terms and the provisions of this Bond Indenture, all of the Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to this Bond Indenture, excepting only moneys on deposit in the Rebate Fund. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery by the Bond Trustee of the Bonds, without any physical delivery thereof or further act.

(B) The Authority hereby transfers in trust, grants a security interest in and assigns to the Bond Trustee, for the benefit of the Holders from time to time of the Bonds, all of the Revenues and other assets pledged in subsection (A) of this Section and all of the right, title and interest of the Authority in (1) the Loan Agreement (except for (i) the right to receive any Administrative Fees and Expenses to the extent payable to the Authority, (ii) any rights of the Authority to be indemnified, held harmless and defended and rights to inspection and to receive notices, certificates and opinions, (iii) express rights to give approvals, consents or waivers, and (iv) the obligation of the Corporation to make deposits pursuant to the Tax Certificate) and (2) Obligation No. 6. The Bond Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Bond Trustee and shall forthwith be paid by the Authority to the Bond Trustee. The Bond Trustee shall also be entitled to and subject to the provisions of this Bond Indenture, shall take all steps, actions and proceedings to enforce all of the rights of the Authority, other than for those rights retained by

the Authority, and all of the obligations of the Corporation under the Loan Agreement and all of the obligations of the Members under Obligation No. 6.

(C) All Revenues shall be promptly deposited by the Bond Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Bond Trustee is hereby directed to establish, maintain and hold in trust, except as otherwise provided in Sections 5.06 and 5.07 and except that all moneys received by the Bond Trustee and required by the Loan Agreement or Obligation No. 6 to be deposited in the Redemption Fund (which the Bond Trustee is hereby directed to establish as a separate account under this Indenture) shall be promptly deposited in the Redemption Fund. All Revenues deposited with the Bond Trustee shall be held, disbursed, allocated and applied by the Bond Trustee only as provided in this Bond Indenture.

(D) If by the twenty-fifth (25th) day of the calendar month preceding the calendar month in which there is an Interest Payment Date or a Principal Payment Date, the Bond Trustee has not received Loan Repayments or other Revenues sufficient to make the transfers required by Section 5.02, the Bond Trustee shall immediately notify the Corporation and the Credit Group Representative of such insufficiency (stating in such notice that (i) the Bond Trustee has not received Loan Repayments or other Revenues sufficient to make the transfers required by Section 5.02; (ii) the amount by which the obligation to make such transfer exceeds the amount available therefore; and (iii) such insufficiency shall constitute a Loan Default Event if not satisfied by such Interest Payment Date or Principal Payment Date) by telephone or telecopy and confirm such notification, as soon thereafter as practicable, by written notice.

SECTION 5.02 Allocation of Revenues.

(A) On or before the dates specified below, the Bond Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Bond Trustee is hereby directed to establish and maintain within the Revenue Fund) and the Rebate Fund the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

First: on or before each Interest Payment Date, to the Interest Account, the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding, until the balance in said account is equal to said amount of interest;

Second: on or before each Serial Bond maturity date and each Mandatory Sinking Account Payment date, to the Principal Account, the amount of the Serial Bond principal payment and Mandatory Sinking Account Payment becoming due and payable on such date, until the balance in said account is equal to the sum of the amount of such Serial Bond principal payment and Mandatory Sinking Account Payment; and

Third: on or before each Interest Payment Date, to the Rebate Fund, such amounts as are required to be deposited therein by this Bond Indenture (including the Tax Certificate).

(B) Any moneys remaining in the Revenue Fund after the foregoing transfers shall be transferred to the Corporation as an overpayment of Loan Repayments.

SECTION 5.03 Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Bond Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Bond Indenture).

SECTION 5.04 Application of Principal Account.

(A) All amounts in the Principal Account shall be used and withdrawn by the Bond Trustee solely for the purpose of paying the principal of the Bonds when due and payable, except that all amounts in a Sinking Account shall be used and withdrawn by the Bond Trustee to purchase or redeem or pay at maturity Term Bonds, as provided herein.

(B) The Bond Trustee shall establish and maintain within the Principal Account separate subaccounts for each maturity of Term Bonds designated as the “_____ Sinking Account.” With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Bond Trustee shall transfer the amount deposited in the Principal Account pursuant to Section 5.02 for the purpose of making a Mandatory Sinking Account Payment from the Principal Account to the applicable Sinking Account. On each Mandatory Sinking Account Payment date, the Bond Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Bonds of the maturity for which such Sinking Account was established, upon the notice and in the manner provided in Article IV; provided that, at any time prior to giving such notice of such redemption, the Bond Trustee shall apply such moneys to the purchase of Bonds of such maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Corporation may direct, in writing, except that the purchase price (excluding accrued interest) shall not exceed the par amount of such Bonds. If, during the twelve-month period immediately preceding said Mandatory Sinking Account Payment date, the Bond Trustee has purchased Bonds of the maturity for which such Sinking Account was established with moneys in the Sinking Account, or, during said period and prior to giving said notice of redemption, the Corporation has deposited Bonds of such maturity with the Bond Trustee, or Bonds of such maturity were at any time purchased or redeemed by the Bond Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Bonds purchased or deposited pursuant to this subsection shall be delivered to the Bond Trustee and cancelled. Any amounts remaining in the Sinking Account when all of the Bonds of the maturity for which such Sinking Account was established are no longer Outstanding shall be withdrawn by the Bond Trustee and transferred to the Revenue Fund. All Bonds purchased from the Sinking Account or

deposited by the Corporation with the Bond Trustee shall be allocated to the Mandatory Sinking Account Payments as the Corporation directs.

(C) Subject to the terms and conditions set forth in this Section and in Section 4.01(A), the Bonds maturing on February 1, 20__ shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the following amounts and on the following dates:

Mandatory Sinking Account Payment Dates (February 1)	Mandatory Sinking Account Payments
	\$

*

* Maturity

(D) Subject to the terms and conditions set forth in this Section and in Section 4.01(A), the Bonds maturing on February 1, 20__ shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the following amounts and on the following dates:

Mandatory Sinking Account Payment Dates (February 1)	Mandatory Sinking Account Payments
	\$

*

* Maturity

SECTION 5.05 Application of Redemption Fund. The Bond Trustee shall establish and maintain within the Redemption Fund a separate Optional Redemption Account and a separate Special Redemption Account and shall accept all moneys deposited for redemption and shall deposit such moneys into said Optional Redemption Account and Special Redemption Account, as applicable. All amounts deposited in the Optional Redemption Account and in the Special Redemption Account shall be accepted and used and withdrawn by the Bond Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in Article IV, at the next succeeding date of redemption for which notice has not been given and at the Redemption Prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively; provided that, at any time prior to giving such notice of redemption, the Bond Trustee shall, upon written direction of the Corporation, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest,

which is payable from the Interest Account) as the Corporation may direct, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to such Bonds (or, if such Bonds are not then subject to redemption, the par value of such Bonds); and provided further that in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Revenue Fund and credited against Loan Repayments in order of their due date as set forth in a Request of the Corporation. All Bonds purchased or redeemed from the Redemption Fund shall be allocated to applicable Mandatory Sinking Account Payments designated in a Certificate of the Corporation (or if the Corporation fails to deliver such a Certificate to the Bond Trustee, in inverse order of their payment dates).

SECTION 5.06 Rebate Fund.

(A) The Bond Trustee shall establish and maintain, when required, a fund separate from any other fund established and maintained hereunder designated as the Rebate Fund. Within the Rebate Fund, the Bond Trustee shall maintain such accounts as shall be necessary to comply with instructions of the Corporation given pursuant to the terms and conditions of the Tax Certificate. Subject to the transfer provisions provided in subsection (E) below, all money at any time deposited in the Rebate Fund shall be held by the Bond Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the federal government of the United States of America. Neither the Authority, the Corporation nor the Holder of any Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section and by Section 6.06 and by the Tax Certificate (which is incorporated herein by reference). The Bond Trustee shall be deemed conclusively to have complied with such provisions if it follows the directions of the Corporation including supplying all necessary information in the manner provided in the Tax Certificate, and shall have no liability or responsibility to enforce compliance by the Corporation or the Authority with the terms of the Tax Certificate or any other tax covenants contained herein. The Bond Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations. The Bond Trustee shall have no independent duty to review such calculations or enforce the compliance by the Corporation with such rebate requirements. The Bond Trustee shall have no duty or obligation to determine the applicability of the Code and shall only be obligated to act in accordance with written instructions provided by the Corporation.

(B) Upon the Corporation's written direction, an amount shall be deposited to the Rebate Fund by the Bond Trustee from deposits by the Corporation, if and to the extent required, so that the balance in the Rebate Fund shall equal the Rebate Requirement. The Bond Trustee shall supply to the Corporation and/or the Authority all necessary information in the manner provided in the Tax Certificate to the extent such information is reasonably available to the Bond Trustee.

(C) The Bond Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this Section, other than from moneys held in the funds and accounts created under this Bond Indenture or from other moneys provided to it by the Corporation.

(D) At the written direction of the Corporation, the Bond Trustee shall invest all amounts held in the Rebate Fund solely in Investment Securities, subject to the restrictions set forth in the Tax Certificate. Moneys shall not be transferred from the Rebate Fund except as provided in subsection (E) below. The Bond Trustee shall not be liable for any consequences arising from such investment.

(E) Upon receipt of the Corporation's written directions, the Bond Trustee shall remit part or all of the balances in the Rebate Fund to the United States, as so directed. In addition, if the Corporation so directs, the Bond Trustee will deposit money into or transfer money out of the Rebate Fund from or into such accounts or funds as directed by the Corporation's written directions; provided, however, only moneys in excess of the Rebate Requirement may, at the written direction of the Corporation or the Authority, be transferred out of the Rebate Fund to such other accounts or funds or to anyone other than the United States in satisfaction of the arbitrage rebate obligation. Any funds remaining in the Rebate Fund after each five year remission to the United States of America, redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement, or provision made therefor, shall be withdrawn and remitted to the Corporation upon receipt of the Corporation's written direction by the Bond Trustee.

(F) Notwithstanding any other provision of this Bond Indenture, including in particular Article X, the Corporation's obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of this Section, Section 6.06 and the Tax Certificate shall survive the defeasance or payment in full of the Bonds. Upon defeasance or payment in full of the Bonds, the Bond Trustee shall not be required to maintain the Rebate Fund.

SECTION 5.07 Investment of Moneys in Funds and Accounts.

(A) All moneys in any of the funds and accounts established pursuant to this Bond Indenture shall be invested by the Bond Trustee, upon direction of the Corporation, solely in Investment Securities. Investment Securities shall be purchased at such prices as the Corporation may direct. The directions of the Corporation shall be subject to the limitations set forth in Section 6.06. All Investment Securities shall be acquired subject to the limitations as to maturities hereinafter in this Section set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Corporation. No Request of the Corporation shall impose any duty on the Bond Trustee inconsistent with its fiduciary responsibilities. In the absence of directions from the Corporation, the Bond Trustee shall invest in Investment Securities specified in subsection (i) of the definition thereof in Section 1.01, [initially the Wells Fargo Government Money Market Fund].

(B) Moneys in all other funds and accounts shall be invested in Investment Securities maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in this Bond Indenture. Investment Securities purchased under a repurchase agreement or investment contract may be deemed to mature on the date or dates on which the Bond Trustee may deliver such Investment Securities for repurchase under such agreement.

(C) All interest, profits and other income received from the investment of moneys in the Rebate Fund shall be deposited when received in such fund. All interest, profits and other income received from the investment of moneys in any other fund or account established pursuant to this Bond Indenture shall be deposited when received (1) prior to the delivery of the Certificate of the Corporation required by Section 3.03(D) in the Project Fund and (2) thereafter in the Revenue Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account for the credit of which such Investment Security was acquired.

(D) Investment Securities acquired as an investment of moneys in any fund or account established under this Bond Indenture shall be credited to such fund or account. For the purpose of determining the amount in any such fund or account all Investment Securities credited to such fund or account shall be valued at the lower of cost (exclusive of accrued interest after the first payment of interest following acquisition) or par value (plus, prior to the first payment of interest following acquisition, the amount of interest paid as part of the purchase price).

(E) The Bond Trustee may commingle any of the amounts on deposit in the funds or accounts established pursuant to this Bond Indenture (other than the Rebate Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Bond Trustee hereunder shall be accounted for separately as required by this Bond Indenture. The Bond Trustee may act as principal or agent in the making or disposing of any investment. The Bond Trustee may sell at the best price reasonably obtainable, or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and, subject to the provisions of Section 8.03 with respect to the Bond Trustee, neither the Authority nor the Bond Trustee shall be liable or responsible for any loss resulting from any investment made in accordance with the provisions of this Section 5.07.

(F) The Authority (and the Corporation by its execution of the Loan Agreement) acknowledges that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority or the Corporation the right to receive brokerage confirmations of security transactions as they occur, the Authority and the Corporation will not receive such confirmations to the extent permitted by law. The Bond Trustee will furnish the Authority and the Corporation periodic cash transaction statements as provided herein which include detail for all investment transactions made by the Bond Trustee hereunder.

ARTICLE VI

PARTICULAR COVENANTS

SECTION 6.01 Punctual Payment. The Authority shall punctually cause to be paid the principal or Redemption Price and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of this Bond Indenture, according to the true

intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in this Bond Indenture.

SECTION 6.02 Extension of Payment of Bonds. Except as set forth in Section 9.01, the Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Bond Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Authority to issue obligations for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

SECTION 6.03 Against Encumbrances. The Authority shall not create any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Bond Indenture while any of the Bonds are Outstanding, except the pledges and assignments created by this Bond Indenture, and will assist the Bond Trustee in contesting any such pledge, lien, charge or other encumbrance which may be created. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Act, and reserves the right to issue other obligations for such purposes.

SECTION 6.04 Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into this Bond Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under this Bond Indenture in the manner and to the extent provided in this Bond Indenture. The Bonds and the provisions of this Bond Indenture are and will be the legal, valid and binding limited obligations of the Authority in accordance with their terms, and the Authority and Bond Trustee shall at all times, to the extent permitted by law and as set forth herein, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bondholders under this Bond Indenture against all claims and demands of all Persons whomsoever.

SECTION 6.05 Accounting Records and Financial Statements.

(A) The Bond Trustee shall at all times keep, or cause to be kept, proper books of record and account prepared in accordance with trust accounting standards, in which complete and accurate entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of the proceeds of the Bonds, the Revenues, the Loan Agreement and all funds and accounts established pursuant to this Bond Indenture. Such books of record and account shall be available for inspection by the Authority, the Corporation and any Bondholder or such Bondholder's agent or representative duly authorized in writing, during the Bond Trustee's business hours on days on which the Bond Trustee is open for business.

(B) The Bond Trustee shall file and furnish to the Authority (if requested in writing), an account statement (which need not be audited) covering receipts, disbursements, allocation and application of Revenues and any other moneys (including proceeds of Bonds) in any of the funds and accounts established pursuant to this Bond Indenture for the preceding month. The Bond Trustee shall also furnish a copy of any such monthly statement to the Corporation.

SECTION 6.06 Tax Covenants. The Authority shall at all times do and perform all acts and things permitted by law and this Bond Indenture which are necessary or desirable in order to assure that interest paid on the Bonds (or any of them) will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the Authority agrees to comply with the provisions of the Tax Certificate. This covenant shall survive payment in full or defeasance of the Bonds.

SECTION 6.07 Enforcement of Loan Agreement and Obligation No. 6. The Bond Trustee shall promptly collect all amounts due from the Corporation pursuant to the Loan Agreement and from the Obligated Group pursuant to Obligation No. 6, shall perform all duties imposed upon it pursuant to the Loan Agreement and shall enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of, all of the rights of the Authority (other than those specifically retained by the Authority pursuant to this Bond Indenture) and all of the obligations of the Corporation.

SECTION 6.08 Amendment of Loan Agreement.

(A) Except as provided in Section 6.08(B), the Authority shall not amend, modify or terminate any of the terms of the Loan Agreement, or consent to any such amendment, modification or termination unless the written consent of the Holders of a majority in principal amount of the Bonds then Outstanding to such amendment, modification or termination is filed with the Bond Trustee, provided that no such amendment, modification or termination shall reduce the amount of Loan Repayments to be made to the Authority or the Bond Trustee by the Corporation pursuant to the Loan Agreement, or extend the time for making such payments, without the written consent of all of the Holders of the Bonds then Outstanding.

(B) Notwithstanding the provisions of Section 6.08(A), the terms of the Loan Agreement may also be modified or amended from time to time and at any time by the Authority without the necessity of obtaining the consent of any Bondholders, only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority or the Corporation contained in the Loan Agreement other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power therein reserved to or conferred upon the Authority or the Corporation; provided such amendment does not materially adversely affect the interests of the Bondholders;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Loan Agreement, or in regard to matters or questions arising under the Loan Agreement, as the Authority may deem necessary or desirable and not inconsistent with the Loan Agreement or this Bond Indenture; and which does not materially adversely affect the interests of the Bondholders; or

(iii) to maintain the exclusion from gross income for federal income tax purposes of interest payable with respect to the Bonds.

SECTION 6.09 Waiver of Laws. The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Bond Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

SECTION 6.10 Further Assurances. The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Bond Indenture and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in this Bond Indenture.

SECTION 6.11 Continuing Disclosure. Pursuant to Section 5.7 of the Loan Agreement, the Corporation has undertaken all responsibility for compliance with continuing disclosure requirements to the extent set forth therein, and the Authority shall have no liability to the Holders of the Bonds or any other Person with respect to S.E.C. Rule 15c2-12. Notwithstanding any other provision of this Bond Indenture, failure of the Corporation or any Dissemination Agent (as defined in the Continuing Disclosure Certificate) to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Bond Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall) or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Corporation to comply with its obligations under Section 5.7 of the Loan Agreement.

SECTION 6.12 Replacement of Obligation No. 6. At the option of the Corporation, Obligation No. 6 shall be surrendered by the Bond Trustee and delivered to the Master Trustee for cancellation upon receipt by the Bond Trustee of all of the following:

(i) a Request of the Corporation requesting such surrender and delivery and stating that the Corporation has become a member of an obligated group under a master indenture (other than the Master Indenture) or has obligated itself pursuant to another form of indebtedness security arrangement, and that an obligation is being issued to the Bond Trustee under such replacement master indenture or security arrangement (“Replacement Arrangement”);

(ii) a properly executed obligation (the “Replacement Obligation”) issued under the Replacement Arrangement and registered in the name of the Bond Trustee with the same tenor and effect as Obligation No. 6, duly authenticated by the master trustee under the Replacement Arrangement;

(iii) an Opinion of Counsel to the effect that the Replacement Obligation has been validly issued under the Replacement Arrangement and constitutes a valid and binding obligation of the Corporation and each other member of the obligated group under the Replacement Arrangement;

(iv) a copy of the Replacement Arrangement, certified as a true and accurate copy by the master trustee under the Replacement Arrangement; and

(v) written confirmation from each Rating Agency then rating the Bonds that the replacement of Obligation No. 6 in accordance with the provisions of this Section will not, by itself, result in a reduction in the then-current ratings on the Bonds.

Upon satisfaction of such conditions, all references herein and in the Loan Agreement to Obligation No. 6 shall be deemed to be references to the Replacement Obligation, all references to the Master Indenture shall be deemed to be references to the Replacement Arrangement, all references to the Master Trustee shall be deemed to be references to the master trustee under the Replacement Arrangement, all references to the Obligated Group and the Members shall be deemed to be references to the obligated group and the members of the obligated group under the Replacement Arrangement and all references to Supplement No. 6 shall be deemed to be references to the document pursuant to which the Replacement Obligation is issued.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

SECTION 7.01 Events of Default. The following events shall be Events of Default:

(A) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable;

(B) default in the due and punctual payment of any installment of interest on any Bond when and as the same shall become due and payable;

(C) except as provided in 7.01(D), default in any material respect by the Authority in the observance of any of the other covenants, agreements or conditions on its part contained in this Bond Indenture or in the Bonds, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority and the Corporation by the Bond Trustee, or to the Authority, the Corporation and the Bond Trustee by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding;

(D) a Loan Default Event.

Upon actual knowledge of the existence of any Event of Default, the Bond Trustee shall notify the Corporation, the Authority and the Master Trustee in writing as soon as practicable (but no later than 30 days after obtaining actual knowledge thereof); provided, however, that the Bond Trustee need not provide notice of any Loan Default Event if the Corporation has expressly acknowledged the existence of such Loan Default Event in a writing delivered to the Bond Trustee, the Authority and the Master Trustee.

SECTION 7.02 Acceleration of Maturities. Whenever any Event of Default referred to in Section 7.01 hereof shall have happened and be continuing, the Bond Trustee may take the following remedial steps:

(A) In the case of an Event of Default described in Section 7.01 (A) or (B) of this Bond Indenture, the Bond Trustee may notify the Master Trustee of such Event of Default, may make a demand for payment under Obligation No. 6 and request the Master Trustee in writing to give notice to the Members pursuant to Section 4.02 of the Master Indenture declaring the principal of all obligations issued under the Master Indenture then outstanding to be due and immediately payable. Thereupon, the Bond Trustee shall declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Bond Indenture to the contrary notwithstanding. In addition, the Bond Trustee and the Authority may take whatever action at law or in equity is necessary or desirable to collect the payments due under Obligation No. 6;

(B) In the case of an Event of Default described in Section 7.01(C) of this Bond Indenture, the Bond Trustee may take whatever action at law or in equity is necessary or desirable to enforce the performance, observance or compliance by the Authority with any covenant, condition or agreement by the Authority under this Bond Indenture; and

(C) In the case of an Event of Default described in Section 7.01(D) of this Bond Indenture, the Bond Trustee may take whatever action the Authority would be entitled to take pursuant to the Loan Agreement in order to remedy the Loan Default Event.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall

have been obtained or entered, the Authority or the Corporation shall deposit with the Bond Trustee a sum sufficient to pay all the principal, Mandatory Sinking Account Payments or Redemption Price of and installments of interest on the Bonds, payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds, and the reasonable charges and expenses of the Bond Trustee and the Authority (including fees and expenses of their respective attorneys), and if the Bond Trustee has received notification from the Master Trustee that the declaration of acceleration of Obligation No. 6 has been annulled pursuant to the Master Indenture and any and all other defaults known to the Bond Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Bond Trustee or provision deemed by the Bond Trustee to be adequate shall have been made therefor, then, and in every such case, the Bond Trustee shall, on behalf of the Holders of all of the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Notwithstanding anything to the contrary in this Bond Indenture, the Authority shall have no obligation to and instead the Bond Trustee may, without further direction from the Authority, take any and all steps, actions and proceedings, to enforce any or all rights of the Authority (other than those specifically retained by the Authority pursuant to this Bond Indenture) under this Bond Indenture and the Loan Agreement and Obligation No. 6, including, without limitation, the rights to enforce the remedies upon the occurrence and continuation of an Event of Default and the obligations of the Corporation under the Loan Agreement.

Nothing contained herein, however, shall require the Bond Trustee to exercise any remedies in connection with an Event of Default unless the Bond Trustee shall have actual knowledge or shall have received written notice of such Event of Default, and in the absence of such knowledge or notice the Bond Trustee may conclusively assume no Event of Default exists.

SECTION 7.03 Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Bond Trustee under any of the provisions of this Bond Indenture (subject to Section 11.10 and other than moneys required to be deposited in the Rebate Fund) shall be applied by the Bond Trustee as follows and in the following order:

(A) To the payment of any fees and expenses necessary in the opinion of the Bond Trustee to protect the interests of the Holders of the Bonds and payment of reasonable fees, charges and expenses of the Bond Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Bond Indenture;

(B) To the payment of the principal or Redemption Price of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Bond Indenture (including Section 6.02), as follows:

(i) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price of any Bonds that shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date to the Persons entitled thereto, without any discrimination or preference.

(ii) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

SECTION 7.04 Bond Trustee to Represent Bondholders. The Bond Trustee is hereby irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Bond Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, this Bond Indenture, the Loan Agreement, Obligation No. 6, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Bond Trustee to represent the Bondholders, the Bond Trustee in its discretion may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Bond Trustee or in such Holders under this Bond Indenture, the Loan Agreement, Obligation No. 6, the Act or any other law; and upon instituting such proceeding, the Bond Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other amounts

and assets pledged under this Bond Indenture, pending such proceedings. If more than one such request is received by the Bond Trustee from the Holders, and being indemnified to its satisfaction therefor, the Bond Trustee shall follow the written request executed by the Holders of the greater percentage of Bonds then Outstanding in excess of twenty-five percent (25%). All rights of action under this Bond Indenture or the Bonds or otherwise may be prosecuted and enforced by the Bond Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Bond Trustee shall be brought in the name of the Bond Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of this Bond Indenture (including Section 6.02).

SECTION 7.05 Bondholders' Direction of Proceedings. Anything in this Bond Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Bond Trustee, and upon indemnifying the Bond Trustee to its satisfaction therefor, to direct the method of conducting all remedial proceedings taken by the Bond Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Bond Indenture, and that the Bond Trustee shall have the right to decline to follow any such direction that in the opinion of the Bond Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

SECTION 7.06 Limitation on Bondholders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Bond Indenture, the Loan Agreement, Obligation No. 6 or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the Bond Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Bond Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; provided, however, that if more than one request is received by the Bond Trustee from the Holders, the Bond Trustee shall follow the written request executed by the Holders of the greater percentage of Bonds then Outstanding in excess of twenty-five percent (25%); (3) such Holder or said Holders shall have tendered to the Bond Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Bond Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Bond Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Bond Indenture or the rights of any other Holders of Bonds, or to enforce any right under this Bond Indenture, the Loan Agreement, Obligation No. 6, the Act or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained

in the manner herein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of this Bond Indenture (including Section 6.02).

SECTION 7.07 Absolute Obligation of Authority. Nothing contained in Section 7.06 or in any other provision of this Bond Indenture or in the Bonds shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal or Redemption Price of and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

SECTION 7.08 Termination of Proceedings. In case any proceedings taken by the Bond Trustee or any one or more Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bond Trustee or the Bondholders, then in every such case the Authority, the Bond Trustee and the Bondholders, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Bond Trustee and the Bondholders shall continue as though no such proceedings had been taken.

SECTION 7.09 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Bond Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.10 No Waiver of Default. No delay or omission of the Bond Trustee or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Bond Indenture to the Bond Trustee or the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient.

ARTICLE VIII

THE BOND TRUSTEE

SECTION 8.01 Duties, Immunities and Liabilities of Bond Trustee.

(A) The Authority hereby appoints Wells Fargo Bank, National Association, as Bond Trustee. The Bond Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Bond Indenture, and, except to the extent required by law, no implied covenants or obligations shall be read into this Bond Indenture against the Bond Trustee. The Bond Trustee shall, during the existence of any Event of Default (which has not been cured or waived in accordance herewith), exercise such of the rights and powers vested in it

by this Bond Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(B) The Authority may, and upon written request of the Corporation shall, remove the Bond Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Bond Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Bond Trustee shall cease to be eligible in accordance with subsection (E) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Bond Trustee or its property shall be appointed, or any public officer shall take control or charge of the Bond Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Bond Trustee, and thereupon shall appoint, with the written consent of the Corporation, a successor Bond Trustee by an instrument in writing.

(C) The Bond Trustee may at any time resign by giving (30) days' written notice of such resignation to the Authority and the Corporation, and by giving the Bondholders notice of such resignation by mail at the addresses shown on the registration books maintained by the Bond Trustee. Upon receiving such notice of resignation, the Authority shall promptly appoint, with the consent of the Corporation, a successor Bond Trustee by an instrument in writing.

(D) The Bond Trustee shall not be relieved of its duties hereunder until its successor Bond Trustee has accepted its appointment and assumed the duties of Bond Trustee hereunder. Any removal or resignation of the Bond Trustee and appointment of a successor Bond Trustee shall become effective upon acceptance of appointment by the successor Bond Trustee. If no successor Bond Trustee shall have been appointed and have accepted appointment within thirty (30) days of giving notice of removal or notice of resignation as aforesaid, the resigning Bond Trustee or any Bondholder (on behalf of himself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Bond Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Bond Trustee. Any successor Bond Trustee appointed under this Bond Indenture, shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Bond Trustee a written acceptance thereof, and thereupon such successor Bond Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Bond Trustee, with like effect as if originally named Bond Trustee herein; but, nevertheless at the request of the successor Bond Trustee, such predecessor Bond Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be requested by the successor Bond Trustee for more fully and certainly vesting in and confirming to such successor Bond Trustee all the right, title and interest of such predecessor Bond Trustee in and to any property held by it under this Bond Indenture and shall pay over, transfer, assign and deliver to the successor Bond Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Bond Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for

more fully and certainly vesting in and confirming to such successor Bond Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Bond Trustee as provided in this subsection, the successor Bond Trustee shall mail a notice of the succession to the Bondholders at the addresses shown on the registration books maintained by the Bond Trustee. The Bond Trustee's rights to indemnity and reimbursement of outstanding fees and expenses shall survive the Bond Trustee's resignation or removal.

(E) Any successor Bond Trustee shall be a trust company, national banking association or bank having the powers of a trust company having (or, in the case of a trust company, national banking association or bank included in a bank holding company system, with a bank holding company having) a combined capital and surplus of at least fifty million dollars (\$50,000,000) and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Bond Trustee shall cease to be eligible in accordance with the provisions of this subsection (E), the Bond Trustee shall resign immediately in the manner and with the effect specified in this Section.

SECTION 8.02 Merger or Consolidation. Any company into which the Bond Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Bond Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (E) of Section 8.01, shall be the successor to such Bond Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8.03 Liability of Bond Trustee.

(A) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Bond Trustee assumes no responsibility for the correctness of the same, and makes no representations as to the legality, validity or sufficiency of this Bond Indenture, the Loan Agreement, Obligation No. 6 or any other document related hereto, or of the Bonds, and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it except for any recital or representation specifically describing the Bond Trustee. The Bond Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Bond Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct as finally determined by a court of competent jurisdiction; provided, that this shall not be construed to limit the effect of subsection (F) hereof. The Bond Trustee may become the owner of Bonds with the same rights it would have if it were not Bond Trustee, and, to the extent permitted by law, may act as depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders, whether or

not such committee shall represent the Holders of a majority in principal amount of the Bonds then Outstanding.

(B) The Bond Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Bond Trustee was negligent in ascertaining the pertinent facts.

(C) The Bond Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount (or such lesser principal amount as is provided hereby) of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Bond Trustee, or exercising any trust or power conferred upon the Bond Trustee under this Bond Indenture.

(D) The Bond Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Bond Indenture at the request, order or direction of any of the Bondholders pursuant to the provisions of this Bond Indenture unless such Bondholders shall have offered to the Bond Trustee security or indemnity reasonable to it against the costs, expenses and liabilities which may be incurred therein or thereby.

(E) The Bond Trustee shall not be liable for any action taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Bond Indenture unless it shall be proved that the Bond Trustee was negligent.

(F) No provision of this Bond Indenture shall require the Bond Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(G) Whether or not therein expressly so provided, every provision of this Bond Indenture, the Loan Agreement, Obligation No. 6 or other documents relating to the issuance of the Bonds, relating to the conduct or affecting the liability of or affording protection to the Bond Trustee shall be subject to the provisions of this Article.

(H) The Bond Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, requisition, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document, but the Bond Trustee, in its discretion, may make such further investigation or inquiry into such facts of matters as it may deem fit.

(I) The Bond Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds. Under no circumstances shall the Bond Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

(J) The Bond Trustee shall not be deemed to have knowledge of an Event of Default hereunder, under the Loan Agreement, Obligation No. 6 or any other document related

to the Bonds unless it shall have actual knowledge at its Corporate Trust Office. As used herein, “actual knowledge” shall mean the actual fact or statement of knowing without any independent duty to make any investigation with regard thereto.

SECTION 8.04 Right of Bond Trustee to Rely on Documents. The Bond Trustee shall be protected in acting upon any notice, resolution, request, statement, requisition, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Before the Bond Trustee acts or refrains from acting, it may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

With the exception of Persons in whose names Bonds are registered on the books maintained by the Bond Trustee for such purpose, the Bond Trustee shall not be bound to recognize any Person as the Holder of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is satisfactorily established, if disputed.

Whenever in the administration of the trusts imposed upon it by this Bond Indenture the Bond Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Authority, and such Certificate shall be full warrant to the Bond Trustee for any action taken or suffered in good faith under the provisions of this Bond Indenture in reliance upon such Certificate, but in its discretion the Bond Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

SECTION 8.05 Preservation and Inspection of Documents. All documents received by the Bond Trustee under the provisions of this Bond Indenture shall be retained in its possession in accordance with its own document retention policies then in effect and shall be subject at all reasonable times to the inspection of the Authority, the Corporation, and any Bondholder, and their agents and representatives duly authorized in writing (if such Bondholder provides to the Bond Trustee thirty (30) days prior written notice and such notice specifies a date upon which such inspection shall occur), during normal business hours and under reasonable conditions.

SECTION 8.06 Performance of Duties. The Bond Trustee may execute any of the trusts or powers hereof and perform the duties required of it under either directly or by or through attorneys or agents and shall be entitled to advice of counsel concerning all matters of trust and its duties hereunder and shall be absolutely protected in relying thereon. The Bond Trustee shall not be responsible for the negligence or willful misconduct of such persons selected by it with reasonable care.

SECTION 8.07 Compensation and Indemnification. Pursuant to a separate fee agreement between the Bond Trustee and the Corporation, the Corporation has agreed to pay to the Bond Trustee from time to time reasonable compensation for all services rendered under

this Bond Indenture, and also all reasonable fees, expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under this Bond Indenture.

No provision of this Bond Indenture shall require the Bond Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers, if it has not received the agreed compensation for such services or, in cases where the Bond Trustee has a right to reimbursement or indemnification for such performance or exercise, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE INDENTURE

SECTION 9.01 Amendments Permitted.

(A) This Bond Indenture and the rights and obligations of the Authority, of the Bond Trustee and of the Holders of the Bonds may be modified or amended from time to time and at any time by a Supplemental Bond Indenture, which the Authority and the Bond Trustee may enter into with the written consent of the Corporation when the written consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, shall have been filed with the Bond Trustee. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Bond Indenture prior to or on a parity with the lien created by this Bond Indenture, or deprive the Holders of the Bonds of the lien created by this Bond Indenture on such Revenues and other assets (except as expressly provided in this Bond Indenture), without the consent of the Holders of all Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Bond Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Authority and the Bond Trustee of any Supplemental Bond Indenture pursuant to this subsection (A), the Bond Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Bond Indenture to the Bondholders at the addresses shown on the registration books maintained by the Bond Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Bond Indenture.

(B) This Bond Indenture and the rights and obligations of the Authority, of the Bond Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Bond Indenture, which the Authority and the Bond Trustee may enter into without the consent of any Bondholders, but with the written consent of

the Corporation, but only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in this Bond Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority; provided that no such amendment shall materially adversely affect the interests of Bondholders;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Bond Indenture, or in regard to matters or questions arising under this Bond Indenture, as the Authority, the Corporation or the Bond Trustee may deem necessary or desirable and not inconsistent with this Bond Indenture; and which shall not materially adversely affect the interests of Bondholders;

(iii) to modify, amend or supplement this Bond Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; and which shall not materially adversely affect the interests of Bondholders;

(iv) to provide any additional procedures, covenants or agreements to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, including the amendment of any Tax Certificate;

(v) to facilitate (a) the transfer of Bonds from one Securities Depository to another in the succession of Securities Depositories, or (b) the withdrawal from a Securities Depository of Bonds held in a Book-Entry System and the issuance of replacement Bonds in fully registered form to Persons other than a Securities Depository;

(vi) to make any changes required by a Rating Agency in order to obtain or maintain a rating for the Bonds; or

(vii) to make any other changes which will not materially adversely affect the interests of the Holders of the Bonds.

(C) The Bond Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Bond Indenture authorized by subsections (A) or (B) of this Section which materially adversely affects the Bond Trustee's own rights, duties or immunities under this Bond Indenture or otherwise. In executing, or accepting the additional trusts created by, any Supplemental Bond Indenture permitted by this Article or the modifications thereby of the trusts created by this Bond Indenture, the Bond Trustee and the Authority shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel, which may include a Favorable Opinion of Bond Counsel, stating that the execution of such Supplemental Bond Indenture is authorized by and in compliance with this Bond Indenture.

SECTION 9.02 Effect of Supplemental Bond Indenture. Upon the execution of any Supplemental Bond Indenture pursuant to this Article, this Bond Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Bond Indenture of the Authority, the Bond Trustee and all Holders of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Bond Indenture shall be deemed to be part of the terms and conditions of this Bond Indenture for any and all purposes.

SECTION 9.03 Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Bond Indenture pursuant to this Article may, and if the Authority so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Bond Trustee as to any modification or amendment provided for in such Supplemental Bond Indenture, and, in that case, upon demand of the Holder of any Bond Outstanding at the time of such execution and presentation of his Bond for the purpose at the Corporate Trust Office of the Bond Trustee or at such additional offices as the Bond Trustee may select and designate for that purpose, a suitable notation shall be made on such Bond. If the Supplemental Bond Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority, to any modification or amendment contained in such Supplemental Bond Indenture, shall be prepared by the Bond Trustee at the expense of the Corporation, executed by the Authority and authenticated by the Bond Trustee, and upon demand of the Holders of any Bonds then Outstanding shall be exchanged at the Corporate Trust Office of the Bond Trustee, without cost to any Bondholder, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amounts of the same maturity.

SECTION 9.04 Amendment of Particular Bonds. The provisions of this Article shall not prevent any Bondholder from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE X

DEFEASANCE

SECTION 10.01 Discharge of Bond Indenture.

(A) The Bonds may be paid by the Authority or the Bond Trustee on behalf of the Authority in any of the following ways:

(i) by paying or causing to be paid the principal or Redemption Price of and interest on all Bonds Outstanding, as and when the same become due and payable;

(ii) by depositing with the Bond Trustee, in trust, at or before maturity, moneys or securities in the necessary amount (as provided in Section 10.03) to pay when due or redeem all Bonds then Outstanding; or

(iii) by delivering to the Bond Trustee, for cancellation by it, all Bonds then Outstanding.

(B) If the Authority shall pay all Bonds Outstanding and shall also pay or cause to be paid all other sums payable hereunder by the Authority, then and in that case at the election of the Authority (evidenced by a Certificate of the Authority filed with the Bond Trustee signifying the intention of the Authority to discharge all such indebtedness and this Bond Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, this Bond Indenture and the pledge of Revenues and other assets made under this Bond Indenture and all covenants, agreements and other obligations of the Authority under this Bond Indenture (except as otherwise specifically provided herein) shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the request of the Authority, the Bond Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary to evidence such discharge and satisfaction, and the Bond Trustee shall pay over, transfer, assign or deliver to the Corporation all moneys or securities or other property held by it pursuant to this Bond Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption; provided that in all events moneys in the Rebate Fund shall be subject to the provisions of Section 5.06; and provided further that, prior to the Bond Trustee paying over, transferring, assigning or delivering to the Corporation such moneys, securities or other property, all Administrative Fees and Expenses and any indemnification owed the Authority and the Bond Trustee shall have been paid.

SECTION 10.02 Discharge of Liability on Bonds.

(A) Upon the deposit with the Bond Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bond shall cease, terminate become void and be completely discharged and satisfied, except only that thereafter the Holder thereof shall be entitled to payment of the principal of and interest on such Bond by the Authority, and the Authority shall remain liable for such payments, but only out of such money or securities deposited with the Bond Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

(B) The Authority may at any time surrender to the Bond Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

SECTION 10.03 Deposit of Money or Securities with Bond Trustee.

(A) Whenever in this Bond Indenture it is provided or permitted that there be deposited with or held in trust by the Bond Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Bond Trustee in the funds and accounts established pursuant to this Bond Indenture (other than the Rebate Fund) and shall be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(ii) United States Government Obligations (not callable by the issuer thereof prior to maturity), the principal of and interest on which when due (without any income from the reinvestment thereof) will provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due; provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice;

provided, in each case, that the Bond Trustee shall have been irrevocably instructed (by the terms of this Bond Indenture or by Request of the Corporation) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bond.

SECTION 10.04 Payment of Bonds After Discharge of Bond Indenture. Notwithstanding any provisions of this Bond Indenture, any moneys held by the Bond Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for the period which is one year less than the statutory escheat period after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Bond Indenture), if such moneys were so held at such date, or the period which is one year less than the statutory escheat period after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Corporation free from the trusts created by this Bond Indenture upon receipt of an indemnification agreement acceptable to the Authority and the Bond Trustee indemnifying the Authority and the Bond Trustee with respect to claims of Holders of Bonds which have not yet been paid, and all liability of the Authority and the Bond Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Corporation as aforesaid, the Bond Trustee may (at the cost of the Corporation) first mail to the Holders of Bonds which have not yet been paid, at the addresses shown on the registration books maintained by the Bond Trustee, a notice, in such form as may be deemed appropriate by the Bond Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Corporation of the moneys held for the payment thereof.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01 Limited Liability of Authority. The Bonds shall not be deemed to constitute a debt or liability of the State of California or of any political subdivision

thereof other than the Authority or a pledge of the faith and credit of the State of California or of any political subdivision thereof, but shall be payable solely from the funds herein provided. Neither the State of California nor the Authority shall be obligated to pay the principal of the Bonds or the premium, if any, or the interest thereon except from Revenues and the other assets pledged hereunder and neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or the premium, if any, or the interest on the Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State of California or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Authority has no taxing power. Notwithstanding anything in this Bond Indenture or in the Bonds contained, the Authority shall have no pecuniary liability under this Bond Indenture except that which can be satisfied from Revenues and the other assets pledged hereunder, and the Authority shall not be required to advance any moneys derived from any source other than Revenues and the other assets pledged hereunder for any of the purposes in this Bond Indenture mentioned, whether for the payment of the principal of or the premium, if any, or the interest on the Bonds or for any other purpose of this Bond Indenture. Nevertheless, the Authority may, but shall not be required to, advance for any of the purposes hereof any funds of the Authority which may be made available to it for such purposes.

SECTION 11.02 Successor is Deemed Included in All References to Predecessor. Whenever in this Bond Indenture either the Authority or the Bond Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Bond Indenture contained by or on behalf of the Authority or the Bond Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.03 Limitation of Rights to Parties, Corporation and Bondholders. Nothing in this Bond Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Authority, the Bond Trustee, the Corporation and the Holders of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Bond Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Bond Trustee, the Corporation and the Holders of the Bonds.

SECTION 11.04 Waiver of Notice. Whenever in this Bond Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the Person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 11.05 Destruction of Bonds. Whenever in this Bond Indenture provision is made for the cancellation by the Bond Trustee and the delivery to the Authority of any Bonds, the Bond Trustee shall, in lieu of such cancellation and delivery, destroy such Bonds, and deliver a certificate of such destruction to the Authority.

SECTION 11.06 Severability of Invalid Provisions. If any one or more of the provisions contained in this Bond Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Bond Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Bond Indenture, and this Bond Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

SECTION 11.07 Notices. All notices to Bondholders shall be given by telex, telegram, telecopier or other telecommunication device unless otherwise provided herein and, if by a telecommunications device not capable of producing a written notice, confirmed in writing as soon as practicable. Any notice to or demand upon the Bond Trustee may be served or presented, and such demand may be made, at the Corporate Trust Office of the Bond Trustee or at such other address as may have been filed in writing by the Bond Trustee with the Authority. Any notice to or demand upon the Authority or the Corporation shall be deemed to have been sufficiently given or served for all purposes by being delivered or sent by telex or telecopy or by being deposited, postage prepaid, in a U.S. Postal Service letter box, addressed as follows: [Confirm Notice Addresses Haven't Changed.]

- (i) to the Authority at:
California Health Facilities Financing Authority
915 Capitol Mall, Suite 590
Sacramento, California 95843
Attention: Executive Director
Telephone: (916) 653-2799
Facsimile: (916) 654-5362
- (ii) to the Corporation at:
El Camino Hospital
2500 Grant Road
Mountain View, CA 94040
Attn: Chief Financial Officer
Telephone: (650) 940-7073
Facsimile: (650) 940-7261
- (iii) to the Bond Trustee at:
Wells Fargo Bank, National Association
333 Market Street, 18th Floor
San Francisco, CA 94105
Attention: Corporate Trust Services
Telephone: (415) 371-3357
Facsimile: (415) 371-3400

Notwithstanding the foregoing provisions of this Section 11.07, the Bond Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of any notice, unless and until the Bond Trustee actually receives such notice.

SECTION 11.08 Evidence of Rights of Bondholders. Any request, consent or other instrument required or permitted by this Bond Indenture to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bondholders in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any Person of Bonds transferable by delivery, shall be sufficient for any purpose of this Bond Indenture and shall be conclusive in favor of the Bond Trustee and of the Authority if made in the manner provided in this Section.

The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the bond registration books held by the Bond Trustee.

Any request, consent, or other instrument or writing of the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Bond Trustee or the Authority in accordance therewith or reliance thereon.

SECTION 11.09 Disqualified Bonds. In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Bond Indenture, Bonds which are owned or held by or for the account of the Authority, the Corporation, any other Member or by any other obligor on the Bonds, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority, the Corporation, any other Member or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, but only to the extent the Bond Trustee has actual knowledge of such ownership. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Bond Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority, the Corporation, any other Member or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Bond Trustee taken upon the advice of counsel shall be full protection to the Bond Trustee.

SECTION 11.10 Money Held for Particular Bonds. The money held by the Bond Trustee for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust uninvested by it for the Holders of the Bonds entitled thereto, subject, however, to the provisions of Section 10.04.

SECTION 11.11 Funds and Accounts. The Bond Trustee may establish such funds and accounts as it deems necessary or appropriate to fulfill its obligations under this Bond Indenture. Any fund required by this Bond Indenture to be established and maintained by the Bond Trustee may be established and maintained in the accounting records of the Bond Trustee either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the corporate trust industry, to the extent practicable, and with due regard for the requirements of Section 6.06 and for the protection of the security of the Bonds and the rights of every Holder thereof. Notwithstanding any other provision of this Bond Indenture, the Bond Trustee shall only be required to open any funds or accounts when it receives, or is notified that it will receive, funds or moneys to be deposited and maintained in such funds or accounts.

SECTION 11.12 Waiver of Personal Liability. No member, officer, official, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of the Bonds or the premium, if any, or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, official, agent or employee of the Authority from the performance of any official duty provided by law or by this Bond Indenture.

SECTION 11.13 Business Days. If any date specified herein shall not be a Business Day, any action required on such date may be made on the next succeeding Business Day with the same effect as if made on such date.

SECTION 11.14 Affiliates Not Liable. No organization with whom the Corporation is affiliated in any manner, other than the Members, is liable under the Bond Indenture, the Master Indenture, Obligation No. 6, or the Loan Agreement for the commitments of the Corporation or any of the Members.

SECTION 11.15 Governing Law and Venue. The laws of the State of California govern all matters arising out of or relating to this Bond Indenture and the Bonds, including, without limitation, their validity, interpretation, construction, performance, and enforcement.

Any party bringing a legal action or proceeding against any other party arising out of or relating to this Bond Indenture shall bring the legal action or proceeding in Sacramento County Superior Court, Sacramento, California, unless the Authority waives this requirement in writing. Each party agrees that the exclusive (subject to waiver as set forth herein) choice of forum set forth in this section does not prohibit the enforcement of any judgment obtained in that forum or any other appropriate forum. Each party waives, to the fullest extent permitted by law, (a) any objection which it may now or later have to the laying of venue of any legal action or proceeding arising out of or relating to this Bond Indenture brought in the Sacramento County Superior Court, Sacramento, California, and (b) any claim that any such action or proceeding brought in such court has been brought in an inconvenient forum.

SECTION 11.16 Execution in Several Counterparts. This Bond Indenture may be executed in any number of counterparts and each of such counterparts shall for all

purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Bond Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY has caused this Bond Indenture to be signed in its name by its Deputy Treasurer for its Chairman and by its Executive Director, and WELLS FARGO BANK, NATIONAL ASSOCIATION, in token of its acceptance of the trusts created hereunder, has caused this Bond Indenture to be signed in its corporate name by the officer thereunto duly authorized, all as of the day and year first above written.

CALIFORNIA HEALTH FACILITIES
FINANCING AUTHORITY

By: _____
Deputy Treasurer
For Chairman, State Treasurer John Chiang

By: _____
Executive Director

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Bond Trustee

By _____
Authorized Representative

EXHIBIT A

FORM OF BOND

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Authority or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

This Bond shall not be deemed to constitute a debt or liability of the State of California or of any political subdivision thereof other than the California Health Facilities Financing Authority (the "Authority") or a pledge of the faith and credit of the State of California or of any political subdivision thereof, but shall be payable solely from the funds therefor provided. Neither the State of California nor the Authority shall be obligated to pay the principal of this Bond or the premium, if any, or the interest hereon except from Revenues and the other assets pledged under the Bond Indenture and neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or the premium, if any, or the interest on this Bond. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State of California or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Authority has no taxing power.

NUMBER	AMOUNT
R-__	\$_____

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
REVENUE BONDS (EL CAMINO HOSPITAL)
SERIES 2016

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP NUMBER
____%		November __, 2016	_____

REGISTERED HOLDER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY a public instrumentality of the State of California (the "Authority"), for value received, hereby promises to pay (but only out of the Revenues and other assets pledged therefor as hereinafter mentioned) to the registered holder stated above, or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter mentioned), the principal amount stated above in lawful money of the United States of America; and to pay interest thereon (but only

from said Revenues and other assets pledged therefor) in like lawful money from the date hereof until payment of such principal sum shall be discharged as provided in the Bond Indenture hereinafter mentioned, at the rate per annum stated above, payable on February 1 and August 1 of each year, commencing February 1, 2017. The principal (or redemption price) hereof is payable upon surrender at the Corporate Trust Office (as defined in the Bond Indenture) of Wells Fargo Bank, National Association (in such capacity, the "Bond Trustee"). Interest hereon is payable by check mailed by first class mail on each interest payment date (except with respect to defaulted interest) to the person whose name appears on the bond registration books of the Bond Trustee as the registered holder hereof as of the close of business on the fifteenth (15th) day of the calendar month preceding the calendar month in which such interest payment date falls, whether or not such day is a Business Day (as defined in the Bond Indenture hereinafter defined) (the "Record Date") at the address appearing on the bond registration books maintained by the Bond Trustee, or by wire transfer to an account within the United States to any registered holder of at least \$1,000,000 in principal amount of Bonds if such registered holder has submitted a written request for such wire transfer to the Bond Trustee at least one Business Day prior to the Record Date. Interest shall be calculated on a three hundred sixty (360) day year basis of twelve (12) thirty (30) day months.

This Bond is one of a duly authorized issue of bonds of the Authority designated as "California Health Facilities Financing Authority Revenue Bonds (El Camino Hospital), Series 2016" (the "Bonds"), limited in aggregate principal amount to \$[PAR]). The Bonds are issued pursuant to a bond indenture, dated as of November 1, 2016, between the Authority and the Bond Trustee (the "Bond Indenture"). The Bonds are issued for the purpose of making a loan to El Camino Hospital (the "Corporation"), pursuant to a loan agreement, dated as of November 1, 2016 (the "Loan Agreement"), between the Authority and the Corporation, for the purposes and on the terms and conditions set forth therein. The Bonds are further secured by an assignment of the right, title and interest of the Authority in the Loan Agreement (to the extent and as more particularly described in the Bond Indenture) and in Obligation No. 6, dated the date of issuance of the Bonds ("Obligation No. 6"), and issued by the Corporation, pursuant to the terms of a master trust indenture, dated as of March 1, 2007, as supplemented and amended (the "Master Indenture"), between the Corporation and Wells Fargo Bank, National Association, a national banking association, as master trustee (in such capacity, the "Master Trustee") and a supplemental master trust indenture for obligation No. 6, dated as of November 1, 2016, between the Corporation and the Master Trustee.

Reference is hereby made to the Bond Indenture (a copy of which is on file at said Corporate Trust Office of the Bond Trustee) and all indentures supplemental thereto and, to the Loan Agreement (a copy of which is on file at said Corporate Trust Office of the Bond Trustee) for a description of the rights thereunder of the registered holders of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Bond Trustee and of the rights and obligations of the Authority thereunder, to all the provisions of which Bond Indenture and Loan Agreement the registered holder of this Bond, by acceptance hereof, assents and agrees. All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Bond Indenture.

The Bonds and the interest thereon are payable from Revenues and, from certain funds and accounts established and maintained under the Bond Indenture, and are secured by a pledge and assignment of said Revenues and of amounts held in the funds and accounts established pursuant to the Bond Indenture (including proceeds of the sale of the Bonds but excluding amounts held in the Rebate Fund), subject only to the provisions of the Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Indenture. The Bonds are further secured by an assignment of the right, title and interest of the Authority in the Loan Agreement and in Obligation No. 6 (to the extent and as more particularly described in the Bond Indenture).

The Bonds maturing on February 1, 20__ are subject to redemption prior to their maturity in part, by lot, from Mandatory Sinking Account Payments, as provided in the Bond Indenture, on any February 1, on or after February 1, 20__, at the principal amount thereof, without premium.

The Bonds maturing on February 1, 20__ are subject to redemption prior to their maturity in part, by lot, from Mandatory Sinking Account Payments, as provided in the Bond Indenture, on any February 1, on or after February 1, 20__, at the principal amount thereof, without premium.

The Bonds maturing on or after February 1, 20__ are subject to redemption prior to their stated maturity, at the option of the Corporation, which option shall be exercised upon Request of the Corporation given to the Bond Trustee (unless waived by the Bond Trustee in its sole discretion) at least twenty-five (25) days prior to such redemption date), from any source of available funds, as a whole or in part on any date (in such amounts and maturities as may be specified by the Corporation) on or after February 1, 20__, by lot, at a Redemption Price equal to 100% of the principal amount of Bonds called for redemption, together with interest accrued thereon (if any) to the date fixed for redemption.

The Bonds are subject to redemption prior to their stated maturity, which option shall be exercised upon Request of the Corporation given to the Bond Trustee (unless waived by the Bond Trustee in its sole discretion) at least twenty-five (25) days prior to the date fixed for redemption) in whole or in part (in such amounts and maturities as may be specified by the Corporation), by lot, on any date, from hazard insurance or condemnation proceeds received with respect to the facilities of any of the Members and deposited in the Special Redemption Account, at a Redemption Price equal to the principal amount thereof, together with interest accrued thereon (if any) to the date fixed for redemption, without premium.

The Bonds are also subject to redemption prior to maturity, which option shall be exercised upon Request of the Corporation given to the Bond Trustee as a whole (but not in part) on any date at the principal amount thereof and interest accrued thereon (if any) to the date fixed for redemption, without premium, if as a result of any changes in the Constitution of the United States of America or any state, or legislative or administrative action or inaction by the United States of America or any state, or any agency or political subdivision thereof, or by reason of any judicial decisions there is a good faith determination by any Member that (a) the Master Indenture has become void or unenforceable or impossible to perform, or (b) unreasonable burdens or excessive liabilities have been imposed on such Member, including without

limitation, federal, state or other ad valorem property, income or other taxes being then imposed which were not being imposed on the date of issuance of the Bonds.

Each Holder or Beneficial Owner, by purchase and acceptance of this Bond, irrevocably grants to the Corporation the option to purchase such Bond at any time such Bond is subject to optional redemption as described in the Bond Indenture. Such Bond is to be purchased at a purchase price equal to the then applicable redemption price of such Bond. The Corporation shall deliver a Favorable Opinion of Bond Counsel to the Bond Trustee, and shall direct the Bond Trustee to provide notice of mandatory purchase, such notice to be provided, as and to the extent applicable, in accordance with the optional redemption provisions of the Bond Indenture and to select Bonds subject to mandatory purchase in the same manner as Bonds called for optional redemption pursuant to the Bond Indenture. On the date fixed for purchase of any Bond in lieu of redemption, the Corporation shall pay the purchase price of such Bond to the Bond Trustee in immediately available funds, and the Bond Trustee shall pay the same to the Holders of the Bonds being purchased against delivery thereof. No purchase of any Bond in lieu of redemption shall operate to extinguish the indebtedness of the Corporation evidenced by this Bond. No Holder or Beneficial Owner may elect to retain a Bond subject to mandatory purchase in lieu of redemption. The Corporation may exercise its option to purchase Bonds, in whole or in part, in accordance with the Bond Indenture.

Notice of redemption shall be mailed by the Bond Trustee, not less than twenty (20) days, and not more than sixty (60) days prior to the redemption date, to the respective holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Bond Trustee. If this Bond is called for redemption and payment is duly provided therefor as specified in the Bond Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption. Any notice of optional redemption may be made conditional and/or rescinded as provided in the Bond Indenture.

If an Event of Default shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Bond Indenture. The Bond Indenture provides that in certain events such declaration and its consequences may be rescinded by the holders or by the Bond Trustee as further described in the Bond Indenture.

The Bonds are issuable only as fully registered Bonds in denominations of \$5,000 or any integral multiple thereof within a maturity. Subject to the limitations and upon payment of the charges, if any, provided in the Bond Indenture, Bonds may be exchanged, at the Corporate Trust Office of the Bond Trustee, for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity.

This Bond is transferable by the registered holder hereof, in person or by his attorney duly authorized in writing, at the Corporate Trust Office of the Bond Trustee, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Bond Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a Bond or Bonds, of authorized denomination or denominations, of the same maturity and for the same aggregate principal amount, will be issued to the transferee in exchange herefor.

The Authority and the Bond Trustee may treat the registered holder hereof as the absolute owner hereof for all purposes, and the Authority and the Bond Trustee shall not be affected by any notice to the contrary.

The Bond Indenture and the rights and obligations of the Authority and of the registered holders of the Bonds and of the Bond Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Bond Indenture; provided that no such modification or amendment shall (i) extend the fixed maturity of this Bond, or reduce the amount of principal hereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided in the Bond Indenture for the payment of the Bonds, or reduce the rate of interest hereon, or extend the time of payment of interest hereon, or reduce any premium payable upon the redemption hereof, without the consent of the registered holder hereof, or (ii) reduce the percentage of Bonds the consent of the registered holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Bond Indenture prior to or on a parity with the lien created by the Bond Indenture, or deprive the registered holders of the Bonds of the lien created by the Bond Indenture on such Revenues and other assets (except as expressly provided in the Bond Indenture), without the consent of the registered holders of all Bonds then outstanding, all as more fully set forth in the Bond Indenture.

It is hereby certified and recited that any and all acts, conditions and things required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Constitution and laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Bond Indenture.

This Bond shall not be entitled to any benefit under the Bond Indenture, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been signed by the Bond Trustee.

IN WITNESS WHEREOF, CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY has caused this Bond to be executed in its name and on its behalf by the facsimile signature of its Chairman and its seal to be reproduced hereon by facsimile and attested by the facsimile signature of its Executive Director, all as of the date set forth above.

CALIFORNIA HEALTH FACILITIES
FINANCING AUTHORITY

By: _____
Chairman

[SEAL]

Attest:

By: _____
Executive Director

**[FORM OF BOND TRUSTEE'S CERTIFICATE OF AUTHENTICATION
AND REGISTRATION]**

This is one of the Bonds described in the within mentioned Bond Indenture,
which has been authenticated on the date set forth below.

Dated: [_____, 20__].

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Bond Trustee

By: _____
Authorized Signatory

[FORM OF ASSIGNMENT]

For value received, the undersigned do(es) hereby sell, assign and transfer unto _____ the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _____, attorney, to transfer the same on the books of the within-named Bond Trustee, with full power of substitution in the premises.

Dated: _____

NOTICE: Signature must be guaranteed by a qualified guarantor institution.

EXHIBIT B

FORM OF REQUISITION (PROJECT FUND)

REQUISITION FOR MONEY FROM THE PROJECT FUND

To: Wells Fargo Bank, National Association
333 Market Street, 18th Floor
San Francisco, California
Attn: Corporate Trust Services

Re: California Health Facilities Financing Authority Revenue Bonds
(El Camino Hospital), Series 2016 (the "Bonds")

Requisition No. ____

The undersigned, on behalf of El Camino Hospital (the "Corporation"), hereby requests payment, from the Project Fund (as defined in the bond indenture, dated as of November 1, 2016, relating to the Bonds (the "Bond Indenture") between the California Health Facilities Financing Authority and Wells Fargo Bank, National Association, as bond trustee), the total amount shown below to the order of the payee or payees named below, as payment or reimbursement for costs incurred or expenditures made in connection with the Project (as defined in the Bond Indenture). The payee(s), the purpose and the amount of the disbursement requested are as follows:

SEE SCHEDULE I ATTACHED HERETO

The Corporation hereby certifies that obligations in the amounts stated above have been incurred by the Corporation and are presently due and payable, and that each item is a proper charge against the Project Fund and has not been previously paid from the Project Fund.

Dated: _____.

EL CAMINO HOSPITAL

By: _____
Authorized Representative

EXHIBIT C

FORM OF REQUISITION - COSTS OF ISSUANCE FUND

REQUISITION NO. __ - COSTS OF ISSUANCE FUND

Re: California Health Facilities Financing Authority Revenue Bonds
(El Camino Hospital), Series 2016

El Camino Hospital (the "Corporation") hereby requests Wells Fargo Bank, National Association (the "Bond Trustee"), as Bond Trustee under that certain bond indenture between the California Health Facilities Financing Authority (the "Authority") and the Bond Trustee, dated as of November 1, 2016, relating to the California Health Facilities Financing Authority Revenue Bonds (El Camino Hospital), Series 2016 (the "Bonds"), to pay to the following Persons the following amounts for the following purposes from the Costs of Issuance Fund:

SEE SCHEDULE I ATTACHED HERETO

The Corporation hereby certifies that obligations in the amounts stated above have been incurred by the Corporation and are presently due and payable, and that each item is a proper charge against the Costs of Issuance Fund and has not been previously paid from the Costs of Issuance Fund.

Dated: _____.

EL CAMINO HOSPITAL

By: _____
Authorized Representative

Att. 06 07 DRAFT Supplemental Master Indenture

SUPPLEMENTAL MASTER INDENTURE FOR OBLIGATION NO. 6

EL CAMINO HOSPITAL,
as Credit Group Representative

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Master Trustee

Dated as of [Month] 1, 2016

Supplementing the
Master Trust Indenture
Dated as of March 1, 2007

[Securing the California Health Facilities Financing Authority
Revenue Bonds (El Camino Hospital), Series 2016]

SUPPLEMENTAL MASTER INDENTURE FOR OBLIGATION NO. 6

This SUPPLEMENTAL MASTER INDENTURE FOR OBLIGATION NO. 6, dated as of [Month] 1, 2016 (this “Supplement No. 6”), between EL CAMINO HOSPITAL, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the “Corporation”), acting in its capacity as Credit Group Representative, and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States, as master trustee (in such capacity, the “Master Trustee”) under the Master Trust Indenture, dated as of March 1, 2007, as amended and supplemented (the “Master Indenture”).

WITNESSETH:

WHEREAS, the Credit Group Representative and the Master Trustee have entered into the Master Indenture, which provides for the issuance by the Credit Group Representative of Obligations thereunder upon the Credit Group Representative and the Master Trustee entering into an indenture supplemental to the Master Indenture;

WHEREAS, the Corporation has been appointed the Credit Group Representative under the Master Indenture and has all requisite corporate power and is authorized under the terms of the Master Indenture to issue Master Indenture Obligations, which constitute the joint and several Master Indenture Obligations of the Credit Group Representative and any future Members of the Obligated Group;

WHEREAS, the Credit Group Representative desires to issue a Master Indenture Obligation hereunder to evidence the obligation of the Obligated Group Members arising from the loan to the Credit Group Representative by the California Health Facilities Financing Authority (the “Authority”) of the proceeds of the Authority’s Revenue Bonds (El Camino Hospital), Series 2016 (the “Bonds”); and

WHEREAS, all acts and things necessary to constitute this Supplement No. 6 a valid indenture and agreement according to its terms have been done and performed, and the Credit Group Representative has duly authorized the execution and delivery hereof and of the Master Indenture Obligation issued hereby;

NOW, THEREFORE, in consideration of the premises, of the acceptance by the Master Trustee of the trusts hereby created, and of the giving of consideration for and acceptance of the Master Indenture Obligation issued hereunder by the Holder thereof, the Credit Group Representative covenants and agrees with the Master Trustee for the benefit of the Holder from time to time of the Master Indenture Obligation issued hereby as follows:

Section 1. Definitions. Unless otherwise required by the context, all terms used herein that are defined in the Master Indenture shall have the meanings assigned to them therein, except as set forth below:

Authority

“Authority” means the California Health Facilities Financing Authority, a public instrumentality of the State of California.

Bond Indenture

“Bond Indenture” means that certain bond indenture relating to the Bonds, dated as of [Month] 1, 2016, between the Authority and the Bond Trustee, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

Bond Trustee

“Bond Trustee” means Wells Fargo Bank, National Association, a national banking association organized and existing under and by virtue of the laws of the United States of America, and any successor to its duties or co-trustee under the Bond Indenture.

Bonds

“Bonds” means the California Health Facilities Financing Authority Revenue Bonds (El Camino Hospital), Series 2016.

Loan Agreement

“Loan Agreement” means that certain loan agreement relating to the Bonds, dated as of [Month] 1, 2016, between the Authority and the Corporation, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Bond Indenture.

Loan Repayments

“Loan Repayments” means all of the payments so designated and required to be made by the Corporation pursuant to Section 4.1 of the Loan Agreement.

Master Trustee

“Master Trustee” means Wells Fargo Bank, National Association, a national banking association organized and existing under and by virtue of the laws of the United States and any other corporation or association that may be co-trustee with Wells Fargo Bank, National Association, and any successor or successors to said trustee or co-trustee in the trusts created under the Master Indenture.

Obligation No. 6

“Obligation No. 6” means the Master Indenture Obligation issued pursuant hereto.

Supplement No. 6

“Supplement No. 6” means this Supplemental Master Indenture for Obligation No. 6.

Section 2. Issuance of Obligation No. 6. There is hereby created and authorized to be issued a Master Indenture Obligation in an aggregate principal amount of \$[PAR]. This Master Indenture Obligation shall be dated as of [Month] __, 2016, shall be designated “El Camino Hospital Obligation No. 6” and shall be payable in such amounts, at such times and in such manner and shall have such other terms and provisions as are set forth in the form of Obligation No. 6 as provided in Section 11 hereof.

The aggregate principal amount of Obligation No. 6 is limited to \$[PAR], except for any Obligation No. 6 authenticated and delivered in lieu of another Obligation No. 6 as provided in Section 6 hereof, with respect to any Obligation No. 6 mutilated, destroyed, lost or stolen or, subject to the provisions of Section 5 of this Supplement No. 6, upon transfer of registration of Obligation No. 6.

Section 3. Payments on Obligation No. 6; Credits.

(a) Principal of and interest and any applicable redemption premium on Obligation No. 6 are payable in any coin or currency of the United States of America that on the payment date is legal tender for the payment of public and private debts. Except as provided in subsections (b) and (c) of this Section with respect to credits, and Section 4 hereof regarding prepayment, payments on the principal of and premium, if any, and interest on Obligation No. 6 shall be made at the times and in the amounts specified in Obligation No. 6 by the Credit Group Representative (i) depositing or causing to be deposited the same with or to the account of the Bond Trustee at or prior to the opening of business on the day such payments shall become due or payable and (ii) giving a notice to the Master Trustee and the Bond Trustee of each payment of principal, interest or premium on Obligation No. 6, that specifies the amount paid, identifies such payment as a payment on Obligation No. 6, and identifies the Obligated Group Members on whose behalf such payment is made.

(b) The Credit Group Representative shall receive credit for payment on Obligation No. 6, in addition to any credits resulting from payment or prepayment from other sources, as follows:

(i) On installments of interest on Obligation No. 6 in an amount equal to moneys deposited in the Interest Account created under the Bond Indenture, to the extent such amounts have not previously been credited against payments on Obligation No. 6;

(ii) On installments of principal of Obligation No. 6 in an amount equal to moneys deposited in the Principal Account created under the Bond Indenture, to the extent such amounts have not previously been credited on Obligation No. 6; and

(iii) On installments of principal and interest, respectively, on Obligation No. 6 in an amount equal to moneys deposited in the Redemption Fund pursuant to Section 4.4 of the Loan Agreement in connection with a prepayment of Loan Repayments, to the

extent such amounts have not previously been credited against payments on Obligation No. 6.

Section 4. Prepayment of Obligation No. 6.

(a) So long as all amounts that have become due under Obligation No. 6 have been paid, the Credit Group Representative shall have the right, at any time and from time to time, to pay in advance all or part of the amounts to become due under Obligation No. 6. Prepayments may be made by payments of cash or surrender of Bonds. All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of Bonds) shall be deposited upon receipt in the Redemption Fund and, at the request of and as determined by the Credit Group Representative, credited against payments due under Obligation No. 6 or used for the redemption or purchase of Outstanding Bonds in the manner and subject to the terms and conditions set forth in the Bond Indenture and Section 4.4 of the Loan Agreement. Notwithstanding any such redemption or surrender of Bonds, as long as any Bonds remain outstanding or any additional payments required to be made hereunder remain unpaid, the Credit Group Representative shall not be relieved of its obligations hereunder.

(b) Prepayments made under subsection (a) of this Section shall be credited against amounts to become due on Obligation No. 6 as provided in Section 3 hereof and Section 4.4 of the Loan Agreement.

Section 5. Registration, Number, Negotiability and Transfer of Obligation No. 6.

(a) Except as provided in subsection (b) of this Section, Obligation No. 6 shall consist of a single Obligation without coupons registered as to principal and interest in the name of the Bond Trustee and no transfer of Obligation No. 6 shall be registered under the Master Indenture except for transfers to a successor Bond Trustee.

(b) Upon the principal of all Obligations then Outstanding being declared immediately due and payable upon and during the continuance of an Event of Default, Obligation No. 6 may be transferred, if and to the extent the Bond Trustee requests that the restrictions of subsection (a) of this Section on transfers be terminated.

Section 6. Mutilation, Destruction, Loss and Theft of Obligation No. 6. If (i) Obligation No. 6 is surrendered to the Master Trustee in a mutilated condition, or the Credit Group Representative and the Master Trustee receive evidence to their satisfaction of the destruction, loss or theft of Obligation No. 6, and (ii) there is delivered to the Credit Group Representative and the Master Trustee such security or indemnity as may be required by them to hold them harmless, then, in the absence of proof satisfactory to the Credit Group Representative and the Master Trustee that Obligation No. 6 has been acquired by a *bona fide* purchaser and upon the Holder's paying the reasonable expenses of the Credit Group Representative and the Master Trustee, the Credit Group Representative shall cause to be executed and the Master Trustee shall authenticate and deliver, in exchange for such mutilated Obligation No. 6 or in lieu of such destroyed, lost or stolen Obligation No. 6, a new Obligation No. 6 of like principal amount, date and tenor. If any such mutilated, destroyed, lost or stolen Obligation No. 6 has

become or is about to become due and payable, Obligation No. 6 may be paid when due instead of delivering a new Obligation No. 6.

Section 7. Execution and Authentication of Obligation No. 6. Obligation No. 6 shall be executed for and on behalf of the Obligated Group by an Authorized Representative of the Credit Group Representative. The signature of such officer may be mechanically or photographically reproduced on Obligation No. 6. If any officer whose signature appears on Obligation No. 6 ceases to be such officer before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such officer had remained in office until such delivery. Obligation No. 6 shall be manually authenticated by an authorized officer of the Master Trustee, without which authentication Obligation No. 6 shall not be entitled to the benefits hereof.

Section 8. Right to Redeem. Obligation No. 6 shall be subject to redemption, in whole or in part, prior to maturity at the times and in the amounts applicable to redemption of the Bonds as specified in the Bond Indenture and in the manner provided herein; provided that in no event shall Obligation No. 6 be redeemed unless a corresponding amount of Bonds is prepaid.

Section 9. Partial Redemption of Obligation No. 6. Upon the selection and call for redemption, and the surrender, of Obligation No. 6 for redemption in part only, the Credit Group Representative shall cause to be executed and the Master Trustee shall authenticate and deliver to, upon the written order of, the Holder thereof, at the expense of the Credit Group Representative, a new Obligation No. 6 in principal amount equal to the unredeemed portion of Obligation No. 6, which new Obligation No. 6 shall be a fully registered Obligation without coupons.

The Credit Group Representative may agree with the Holder of Obligation No. 6 that such Holder may, in lieu of surrendering the Master Indenture Obligation for a new fully registered Master Indenture Obligation without coupons, endorse on the Master Indenture Obligation a notice of such partial redemption, which notice shall set forth, over the signature of such Holder, the payment date, the principal amount redeemed and the principal amount remaining unpaid. Such partial redemption shall be valid upon payment of the amount thereof to the registered owner of Obligation No. 6 and the Obligated Group and the Master Trustee shall be fully released and discharged from all liability to the extent of such payment irrespective of whether such endorsement shall or shall not have been made upon the reverse of Obligation No. 6 by the Holder thereof and irrespective of any error or omission in such endorsement.

Section 10. Effect of Call for Redemption. On the date designated for redemption by notice given as herein provided, Obligation No. 6, or the part thereof called for redemption, shall become and be due and payable at the redemption price provided for redemption of Obligation No. 6 or the part thereof called for redemption on such date. If, on the date fixed for redemption, moneys for payment of the redemption price and accrued interest are held by the Master Trustee, interest on Obligation No. 6, or the part thereof called for redemption, shall cease to be entitled to any benefit or security under the Master Indenture except the right to receive payment from the moneys held by the Master Trustee or the paying agents and the amount of Obligation No. 6 so called for redemption shall be deemed paid and no longer outstanding.

Section 11. Form of Obligation No. 6. Obligation No. 6 shall be in substantially the following form with such necessary and appropriate omissions, insertions and variations as are permitted or required hereby or by the Master Indenture and are approved by those officers executing such Obligation on behalf of the Credit Group Representative and execution thereof by such officers shall constitute conclusive evidence of such approval.

Form of Obligation No. 6

EL CAMINO HOSPITAL

OBLIGATION NO. 6

\$(PAR)

DATED AS OF [Month] __, 2016

KNOW ALL BY THESE PRESENTS that EL CAMINO HOSPITAL (the "Corporation"), a nonprofit public benefit corporation organized and existing under the laws of the State of California, as Credit Group Representative (as defined in the Master Indenture defined herein), for value received hereby acknowledges itself and each Obligated Group Member (as such terms are defined in the Master Indenture hereinafter defined) obligated to, and promises to pay to WELLS FARGO BANK, NATIONAL ASSOCIATION, as trustee (in such capacity, the "Bond Trustee"), under the bond indenture, dated as of [Month] 1, 2016 (the "Bond Indenture"), between the Bond Trustee and the California Health Facilities Financing Authority (the "Authority"), and any successor trustee under the Bond Indenture, or registered assigns, the principal sum of \$(PAR), and to pay interest on the unpaid balance of said sum from the date hereof on the dates and in the manner hereinafter described.

This Obligation No. 6 is a single Obligation limited to \$(PAR) in principal amount (except as provided in the Master Indenture hereinafter identified), designated as "El Camino Hospital Obligation No. 6" ("Obligation No. 6" and, together with all other obligations issued under the Master Indenture hereinafter identified, "Obligations"), issued under and pursuant to the Supplemental Master Indenture for Obligation No. 6, dated as of [Month] 1, 2016 (the "Supplemental Indenture"), supplementing the Master Trust Indenture, dated as of March 1, 2007, between the Credit Group Representative and Wells Fargo Bank, National Association (the "Master Trustee"). The Master Trust Indenture, as heretofore and hereafter supplemented and amended in accordance with its terms, is hereinafter called the "Master Indenture." Capitalized terms used herein shall have the meanings assigned to such terms in the Master Indenture.

Principal hereof, interest hereon, and any applicable redemption premium are payable, in any coin or currency of the United States of America that on the payment date is legal tender for the payment of public and private debts, on the dates and in the amounts required to be paid by the Credit Group Representative pursuant to Section 4.1 of the loan agreement, dated as of [Month] 1, 2016 (the "Loan Agreement"), between the Credit Group Representative and the Authority. Payments of the principal of and premium, if any, and interest on Obligation No. 6 shall be made by the Credit Group Representative (i) depositing or causing to be deposited the same with or to the account of the Bond Trustee at or prior to the opening of business on the day such payments shall become due or payable, and (ii) giving a notice to the Master Trustee and

the Bond Trustee of each payment of principal, interest or premium on Obligation No. 6, that specifies the amount paid, identifies such payment as a payment on Obligation No. 6, and identifies the Obligated Group Members on whose behalf such payment is made.

The Credit Group Representative shall receive credit for payment on Obligation No. 6, in addition to any credits resulting from payment or prepayment from other sources, as follows: (i) on installments of interest of Obligation No. 6 in an amount equal to moneys deposited in the Interest Account created under the Bond Indenture, to the extent such amounts have not previously been credited against payments on Obligation No. 6; (ii) on installments of principal of Obligation No. 6 in an amount equal to moneys deposited in the Principal Account created under the Bond Indenture, to the extent such amounts have not previously been credited against payments on Obligation No. 6; and (iii) on installments of principal and interest, respectively, on Obligation No. 6 in an amount equal to moneys deposited in the Redemption Fund created pursuant to the Bond Indenture in connection with a prepayment of Loan Repayments, to the extent such amounts have not previously been credited against payments on Obligation No. 6.

Upon payment by the Credit Group Representative of a sum, in cash or United States Government Obligations (as defined in the Bond Indenture), or both, sufficient, together with any other cash and United States Government Obligations (as defined in the Bond Indenture) held by the Bond Trustee and available for such purpose, to cause all outstanding Bonds to be deemed to have been paid within the meaning of Article X of the Bond Indenture and to pay all other amounts referred to in Article X of the Bond Indenture, accrued and to be accrued to the date of discharge of the Bond Indenture, Obligation No. 6 shall be deemed to have been paid and to be no longer Outstanding under the Master Indenture.

Copies of the Master Indenture and the Supplemental Indenture are on file at the Corporate Trust Office of the Master Trustee and reference is hereby made to the Master Indenture for the provisions, among others, with respect to the nature and extent of the rights of the holders of Obligations issued under the Master Indenture, the terms and conditions upon which, and the purposes for which Obligations are to be issued and the rights, duties and obligations of the Members of the Obligated Group and the Master Trustee under the Master Indenture, to all of which the Holder hereof, by acceptance of this Obligation No. 6, assents.

The Master Indenture permits the issuance of additional Obligations under the Master Indenture to be secured by the provisions of the Master Indenture, all of which, regardless of the times of issue or maturity, are to be of equal rank without preference, priority or distinction of any Obligations issued under the Master Indenture over any other such Obligations except as expressly provided or permitted in the Master Indenture.

To the extent permitted by and as provided in the Master Indenture, modifications of or changes to the Master Indenture, of any indenture supplemental thereto, and of the rights and obligations of the Members of the Obligated Group and of the Holders of Obligations in any particular may be made by the execution and delivery of an indenture or indentures supplemental to the Master Indenture or any supplemental indenture. Certain modifications or changes that would affect the rights of the Holders of this Obligation No. 6 may be made only with the consent of the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding under the Master Indenture. No modification or change shall be made that will

(i) extend the stated maturity of or time for paying interest on any Obligation or reduce the principal amount of or the redemption premium or rate of interest or the method of calculating interest payable on or reduce any other Required Payment on any Obligation without the consent of the Holder of such Obligation; (ii) modify, alter, amend, add to or rescind any of the terms or provisions contained in Section 3.01 or Article VI of the Master Indenture so as to affect the right of Holders of Obligations in default to compel the Master Trustee to declare the principal of all Obligations to be due and payable, without the consent of the Holders of all Outstanding Obligations; or (iii) reduce the aggregate principal amount of Outstanding Obligations the consent of the Holders of which is required to authorize such modifications or changes without the consent of the Holders of all Obligations then Outstanding. Any such consent by the holder of this Obligation No. 6 shall be conclusive and binding upon such Holder and all future Holders and owners hereof irrespective of whether or not any notation of such consent is made upon this Obligation No. 6, unless such consent is revoked as provided in the Master Indenture.

In the manner and with the effect provided in the Supplemental Indenture, Obligation No. 6 will be subject to redemption prior to maturity at the times and in the amounts specified in the Bonds issued under the Bond Indenture.

Any redemption, either in whole or in part, shall be made upon notice thereof in the manner and upon the terms and conditions provided in the Supplemental Indenture. If this Obligation No. 6 shall have been duly called for redemption and payment of the redemption price, together with interest accrued thereon to the date fixed for redemption, shall have been made or provided for, as more fully set forth in the Supplemental Indenture, interest on this Obligation No. 6 or the portion thereof called for redemption shall cease to accrue from the date fixed for redemption, and from and after such date, this Obligation No. 6 shall be deemed not to be Outstanding and shall no longer be entitled to the benefits of the Master Indenture, and the holder hereof shall have no rights in respect of this Obligation No. 6 other than payment of the redemption price, together with accrued interest to the date fixed for redemption.

Upon the occurrence of certain Events of Default, the principal of all Obligations then outstanding may be declared, and thereupon shall become, due and payable as provided in the Master Indenture.

The Holder of this Obligation No. 6 shall have no right to enforce the provisions of the Master Indenture, or to institute any action to enforce the covenants therein, or to take any action with respect to any default under the Master Indenture, or to institute, appear in or defend any suit or other proceeding with respect to any default under the Master Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Master Indenture.

Obligation No. 6 is issuable only as a registered Obligation without coupons.

Unless the principal of all Obligations has been declared immediately due and payable, no transfer of this Obligation No. 6 shall be permitted except for transfers to a successor trustee under the Bond Indenture. This Obligation No. 6 shall be registered on the register to be maintained by the Master Trustee as registrar for the Credit Group Representative for that purpose at the Corporate Trust Office of the Master Trustee and this Obligation No. 6 shall be

transferable only upon presentation of this Obligation No. 6 at said office by the Holder or by his duly authorized attorney and subject to the limitations, if any, set forth in the Supplemental Indenture. Such transfer shall be without charge to the Holder hereof, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Holder requesting such transfer as a condition precedent to the exercise of such privilege. Upon any such transfer, the Credit Group Representative shall execute and the Master Trustee shall authenticate and deliver in exchange for this Obligation No. 6 a new registered Obligation without coupons, registered in the name of the transferee.

Prior to due presentment hereof for registration of transfer, the Credit Group Representative, the Master Trustee, any paying agent and any registrar with respect to this Obligation No. 6 may deem and treat the person in whose name this Obligation No. 6 is registered as the absolute owner hereof for all purposes; and neither the Credit Group Representative, any paying agent, the Master Trustee nor any Obligation registrar shall be affected by any notice to the contrary. All payments made to the registered owner hereof shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable on this Obligation No. 6.

No covenant or agreement contained in this Obligation No. 6 or the Master Indenture shall be deemed to be a covenant or agreement of any officer, agent or employee of the Credit Group Representative or of the Master Trustee in its individual capacity, and no agent, employee, officer or member of the governing board of the Credit Group Representative shall be liable personally on this Obligation No. 6 or be subject to any personal liability or accountability by reason of the issuance of this Obligation No. 6.

This Obligation No. 6 shall not be entitled to any benefit under the Master Indenture, or be valid or become obligatory for any purpose, until this Obligation No. 6 shall have been manually authenticated by the execution by an authorized officer of the Master Trustee, or its successor as Master Trustee, of the Certificate of Authentication inscribed hereon.

IN WITNESS WHEREOF, the Corporation, as Credit Group Representative, has caused this Obligation No. 6 to be executed in its name and on its behalf by the mechanically or photographically reproduced signature of its authorized representative all as of the date set forth above.

EL CAMINO HOSPITAL

By: _____
Authorized Representative

MASTER TRUSTEE'S CERTIFICATE OF AUTHENTICATION

The undersigned Master Trustee hereby certifies that this Obligation No. 6 is one of the Master Indenture Obligations described in the within-mentioned Master Indenture.

Dated: _____, 20__.

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Master Trustee

By: _____
Authorized Signatory

Section 12. Specification of Purpose of Issue. The proceeds from the issuance of the Bonds under the Bond Indenture shall be used for the purposes described in the Bond Indenture.

Section 13. Tax-Exempt Status. The Credit Group Representative agrees, on behalf of itself and each Obligated Group Member, that it is an organization exempt from federal income taxation under Section 501(c)(3) of the Code at the time it becomes an Obligated Group Member and that, so long as all amounts due or to become due on any Bond have not been fully paid to the holder thereof, it will not take any action or suffer any action to be taken by others, including any action that would result in the alteration or loss of its status as a tax-exempt organization, that would cause the interest on the Bonds to become includable in gross income under the Code.

Section 14. Delivery of Obligation No. 6. Upon the execution and delivery of this Supplement No. 6, the execution and delivery of Obligation No. 6 and the Loan Agreement by the Corporation, whether in its own capacity or as Credit Group Representative, and the execution and delivery of the Bond Indenture by the parties thereto, the Credit Group Representative hereby requests and authorizes the Master Trustee to authenticate and deliver Obligation No. 6 to the Bond Trustee.

Section 15. Notification to Master Trustee of Certain Events. The Credit Group Representative covenants to furnish or cause to be furnished to the Master Trustee each of the following (A) notice of any redemption of all or a portion of the Bonds; (B) notice of any event of default under the Bond Indenture; (C) notice of any payment or deposit made with respect to the Bonds pursuant to Article X of the Bond Indenture; and (D) notice of any amendments to the Loan Agreement or the Bond Indenture.

Section 16. Ratification of Master Indenture. As supplemented hereby, the Master Indenture is in all respects ratified and confirmed and the Master Indenture as so supplemented hereby shall be read, taken and construed as one and the same instrument.

Section 17. Severability. If any provision of this Supplement No. 6 shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case and in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases, because it conflicts with any other provision or provisions hereof or any constitution, statute, rule or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

Section 18. Counterparts. This Supplement No. 6 may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 19. Governing Law. This Supplement No. 6 shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the Credit Group Representative has caused these presents to be signed in its name and on its behalf and attested by its duly authorized representative and to evidence its acceptance of the trusts hereby created the Master Trustee has caused these presents to be signed in its name and on its behalf by its duly authorized officer, all as of the day and year first above written.

EL CAMINO HOSPITAL

By: _____
Authorized Representative

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Master Trustee

By: _____
Authorized Signatory

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APPENDIX A

INFORMATION CONCERNING
EL CAMINO HOSPITAL AND AFFILIATES

Unless otherwise noted herein, the information contained in this Appendix has been obtained from El Camino Hospital.

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GENERAL

Capitalized terms used and not defined in this Appendix shall have the meanings ascribed thereto in the Official Statement to which this Appendix is attached. References in this Appendix to a particular fiscal year are to the fiscal year ending June 30 in of such year.

Organization and History

El Camino Hospital is a California nonprofit public benefit corporation (the “Corporation”) of which the El Camino Healthcare District (the “District”) is the sole member. The Corporation currently operates a single hospital (the “Hospital”) comprised of two campuses located in Mountain View and Los Gatos, California. The two campuses are in Santa Clara County, California and part of the San Jose, California metropolitan area.

The Corporation is a locally controlled leader in optimizing the health and wellness of its communities in Silicon Valley, differentiated by an innovative continuum of care developed in partnership with physicians, businesses, and payers. Santa Clara County continues rapid growth, fueled by technology development in and around the Silicon Valley. The Milken Institute’s report of the best performing cities in the United States from December 2015 ranks the Metropolitan Statistical Area of San Jose, Sunnyvale and Santa Clara number one in the nation for large cities. According to the 2010-2014 American Community Survey conducted by the United States Census Bureau, the average household income in Santa Clara County in 2014 (in 2014 inflation adjusted dollars) was estimated at \$124,513 compared to \$86,704 in the rest of California. According to the State of California, Employment Development Department, unemployment in the Metropolitan Statistical Area of San Jose, Sunnyvale and Santa Clara was 4.3% in July 2016 compared to an unadjusted 5.9% in the rest of California and 5.1% for the nation.

The Corporation is the sole Member of the Obligated Group under the Master Indenture and the sole borrower under the Loan Agreement. Neither the District, nor any other organization or entity affiliated with the Corporation is a Member of the Obligated Group, a borrower under the Loan Agreement, or otherwise has any obligation to make payments on Obligations issued under the Master Indenture (including Obligation No. 5), the Loan Agreement, or the Bonds.

The District is a political subdivision of the State of California, formed by a vote of the District’s electorate on October 20, 1956, and organized pursuant to Division 23 of the Health and Safety Code of the State of California. The District’s boundaries encompass an area of approximately 48 square miles in northern Santa Clara County, California (the “County”). Construction of the District’s original hospital located on the Mountain View campus began in 1958, it opened in 1961, and a major expansion was completed in 1965.

In 1992 the District’s Board approved a plan to create an “integrated delivery system” combining District operations with those of Camino Medical Group, a private medical group (“Camino Medical Group”), by transferring District assets, including its hospital facilities, to Camino Healthcare, a California nonprofit public benefit corporation (“Camino Healthcare”). Pursuant to various agreements by and between the District and Camino Healthcare, dated as of December 17, 1992, (i) the District transferred all of its right, title, and interest in the buildings housing its hospital and related facilities and the majority of its personal property (including equipment and furniture, supplies, records, intellectual property, contracts, and accounts) to Camino Healthcare, (ii) the District leased the land upon which the hospital and related facilities were located to Camino Healthcare for a term of 30 years, and (iii) Camino Healthcare agreed to provide certain management services related to the operation of the former District hospital and related facilities. The ground lease pursuant to which the District leases to the Corporation

the land on which the Mountain View campus is located has been amended to extend its term to December 31, 2049.

On December 5, 1996, the District, Camino Medical Group (now part of Palo Alto Medical Group and Palo Alto Medical Foundation), and Camino Healthcare entered into a Restructuring Agreement pursuant to which the integrated delivery system was dissolved and the District became the sole member of Camino Healthcare (subsequently renamed “El Camino Hospital”).

As an outcome of the Hospital Seismic Safety Act of 1994 (Senate Bill 1953), which requires California hospitals to upgrade their facilities to meet certain requirements for seismic safety standards for all hospitals within the State (See “Hospital Facilities and Services – Status of Seismic Compliance” herein), the Corporation developed a Facilities Master Plan for its Mountain View campus which determined the location of a replacement hospital building to be constructed compliant with such standards. In April 2006, the Corporation’s Board of Directors approved a “Hospital Replacement Project” for the Hospital’s Mountain View campus. In June 2006 construction began and the replacement hospital building was completed in the fall of 2009. Patient care was transferred into the new hospital facility leaving most of the replaced hospital out of service. Parts of the ground and first floors of the main tower of the old hospital will remain operational for certain outpatient services until the new Integrated Medical Office Building (“IMOB”) is completed and then these services will migrate into this new structure. The old main tower is also currently housing a few administrative departments such as Health Information Medical Records, IT Administration, Performance Improvement, as their areas were vacated to make way for the IMOB that started construction in July 2016. Upon completion of the IMOB, these departments too will relocate out of the old main tower and into the IMOB. Subsequently the old main tower is scheduled to be demolished and replaced with certain land improvements, but to remain as open space.

The Corporation acquired the real estate and certain other assets of the 143 bed Community Hospital of Los Gatos from one or more affiliates of HCP, Inc. in early April 2009. The operator of the Community Hospital of Los Gatos ceased operations on April 11, 2009 and the Corporation reopened the hospital facility under the Corporation’s hospital license in July 2009, which is now known as El Camino Hospital Los Gatos. Most of the buildings on the Los Gatos campus were constructed in the 1960’s, accordingly, the campus has been undergoing seismic compliance reviews and planning. See “Hospital Facilities and Services – Status of Seismic Compliance” herein.

The Corporation has purchased land in South San Jose which will allow for the future growth of our nonprofit community based healthcare services in the southern portion of Silicon Valley. [BDV Note: discuss plans as part of due diligence.]

Affiliates

In addition to the District, the following are affiliated entities of the Corporation (each an “Affiliate”): (i) El Camino Hospital Foundation (the “Foundation”), a California nonprofit public benefit corporation serving as the primary fundraising entity for the Hospital; (ii) CONCERN: Employee Assistance Program (“CONCERN”), a California nonprofit mutual benefit corporation operating as a specialized health care service plan (psychological); (iii) El Camino Surgery Center, LLC (the “Surgery Center”), and (iv) Silicon Valley Medical Development, LLC (“SVMD”). The Corporation is the sole member of each of the Foundation, CONCERN and SVMD. The Corporation owns all of the membership units of the Surgery Center, which in turn owns approximately 33% of El Camino Ambulatory Surgery Center, LLC. No revenues or assets of any of the above Affiliates are pledged to or available to secure repayment of the Bonds.

The Foundation. The Foundation was established in 1982 as a separate California nonprofit corporation and 501(c)(3) tax-exempt organization. As of June 30, 2016, the Foundation's net assets were approximately \$28,980,000. The Foundation has received or accrued contributions from outside third parties for the benefit of the Corporation of \$6,842,205, \$5,647,489 and \$3,513,065 in fiscal years 2016, 2015, and 2014, respectively.

CONCERN. Established in 1981, CONCERN provides and operates a specialized health care service plan for various business organizations nationwide. Enrollees of the plan receive benefits that include individual and family counseling, childcare referrals, older adult services, and referrals to community services. CONCERN began providing specialized healthcare services as a department of the Corporation in September 1981. In July 1999, CONCERN was organized as a separate nonprofit corporation. The Corporation transferred assets to CONCERN to fund its operations. On March 5, 2001, CONCERN was granted a specialized Knox-Keene license from the Department of Managed Health Care of the State of California, which enables it to engage in business as a Specialized Health Care Service plan within California, subject to the provisions of the Knox-Keene Health Care Services Plan Act of 1975.

In order to provide outpatient care to low income families in the San Francisco Bay Area, CONCERN has assumed the management and operation of four programs formerly administered by the Corporation. These programs are: (i) Family Caregiver Assistance Program (Eldercare Services); (ii) Health Library and Resource Center; (iii) Roadrunners Transportation Service; and (iv) Lifeline. In addition, CONCERN opened the Chinese Health Initiative program in 2010. This program provides stroke and Hepatitis B screenings and community education to address the health needs of the Chinese community.

Surgery Center. The Surgery Center is organized as a California limited liability company. The Surgery Center once operated its own outpatient surgery center on the Mountain View campus, but in May 2013 it sold certain medical equipment, furnishings, fixtures, and inventories in exchange for 30 units of ownership interest in El Camino Ambulatory Surgery Center ("ECASC") that operates on the Mountain View campus. These 30 units represent approximately 33% of the outstanding ownership interests in ECASC. The Corporation leases building space to ECASC and provides certain services to ECASC, such as utilities and building and equipment maintenance.

Silicon Valley Medical Development, LLC. SVMD is organized as a California limited liability company and was formed in 2008. SVMD was established by the Corporation to create initiatives between independent physicians and the Corporation, to develop and maintain ambulatory ventures not located on the current Hospital campuses, and to provide management services to medical groups in association with the Corporation. In the last quarter of 2016, SVMD opened its first Primary Care Clinic in the San Jose area and anticipates opening approximately two to three other clinics in fiscal year 2017. SVMD is also planning to open three Urgent Care Clinics and a Women's Heart and Vascular Clinic by the end of fiscal year 2018 in the service areas of the Hospital.

Joint Ventures

Pathways. The Corporation and Dignity Health (formerly known as Catholic Healthcare West) are equal corporate members of Pathways, a California nonprofit corporation. Pathways is comprised of two separate entities: (i) Pathways Home Health and Hospice (which includes its Hospice Foundation), and (ii) Pathways Private Duty. Pathways Home Health and Hospice provides home care and hospice services to patients throughout the San Francisco Bay Area. Support for Pathways Home Health and Hospice comes primarily from patient service revenue, contributions, grant revenue, and support from donors to its Hospice Foundation. Pathways Private Duty provides a comprehensive range of skilled

home health care and support services to patients on a short or long-term basis; support comes primarily from patients and private insurance payers.

In the spring of 2016, the Corporation partnered with Pathways and Epic to implement Epic's electronic health record ("EHR") at Pathways to bring even better integrated clinical care, so the Corporation and Pathways will share the same EHR platform. It is anticipated that the new HER will go live in November 2016.

Pathways (formerly known as Mid Peninsula Home Care and Hospice) has been in operation since 1984. Pathways' combined net assets are approximately \$53.5 million as of June 2016. No revenues or assets of any Pathways entity are pledged to or available to secure repayment of the Bonds.

Satellite Dialysis. Effective February 1, 2015, the Corporation transferred certain dialysis-related assets to Satellite Healthcare, a nonprofit corporation and 501(c)(3) tax-exempt organization, and five limited liability companies in exchange for a cash payment and a 30% interest in each of the limited liability companies. Satellite Healthcare is the owner of the remaining interests in each limited liability company. Four of the limited liability companies operate outpatient dialysis treatment facilities. The remaining limited liability company operates a self-care training program for dialysis patients.

STRATEGIC PLAN

The Corporation's strategy is to be a locally controlled leader in optimizing the health and wellness of the communities it serves in Silicon Valley, differentiated by innovative continuum of care developed in partnership with physicians, businesses and payers. Its tagline is "The hospital that keeps you well". The Corporation is focused on achieving the triple aim of quality, service and affordability, and its current strategic plan is based on four themes: a patient-centered care program that delivers high quality care; transitioning the care model from volume to value; smart growth during the transition from volume to value; and top operating performance to deliver high quality care while improving affordability. The Corporation is building infrastructure to achieve its quality aim and has adopted tools to engage employees to improve patient experience. The volume to value transition is starting by entering into senior population capitation and bundled payment arrangements to deliver care under a population based model. The smart growth efforts consist of investments in women's care, cardiology, oncology and behavioral health as well as program development in the growing Los Gatos market. Efforts to improve operating performance include electronic record system upgrades to the Epic platform (see "Information Technology Strategy") and the engagement of Premier, Inc. a healthcare performance improvement alliance, to perform an operations assessment in early summer 2015.

GOVERNANCE AND MANAGEMENT

The District

The District is governed by a five-member board of directors (the "District Board"), each of whom is elected to staggered, four-year terms. Elections for positions to the District Board are held every two years, alternating between two and three available positions. Current members of the District Board, together with their office and the date their term expires, are listed below:

District Board Member	Office	Occupation	Experience	Current Term Expires
Peter Fung, MD	Chair	Physician	Initial Term	November 2018
Dennis Chiu	Vice Chair	Government Relations Specialist, The Doctor's Company	Initial Term	November 2016
Julia Miller	Secretary/ Treasurer	Owner, Miller and Associates	Initial Term	November 2016
David Reeder		Retired; former Business Analyst, Oracle Corporation	Four prior terms (one partial)	November 2018
John L. Zoglin		eCommerce; IBM Corporation	Two prior terms (one partial)	November 2016

The Corporation – Governance

The District is the sole member of the Corporation. In addition to powers reserved by statute to members of a nonprofit corporation, the District has the authority to approve (a) the selection of the Corporation's Chief Executive Officer; (b) the annual budget of the Corporation; (c) capital expenditures by the Corporation of more than \$25 million dollars in a single transaction; (d) expenditures or transfers by the Corporation in a single transaction or a series of related transaction (in excess of 5% of the assets of the Corporation as determined based on last annual audit of the Corporation preceding the approval date of the proposed transaction); and (e) the overall strategy adopted by the Corporation.

The Corporation is governed by a nine-member board of directors (the "Corporation Board"), eight of whom are appointed by the District Board. The Corporation's Chief Executive Officer serves as a Corporation director, ex officio with voting rights. The five members of the District Board serve four-year terms on the Corporation Board. The other three Board Members are individuals with relevant expertise that serve three-year staggered terms on the Corporation Board. Current members of the Corporation Board, together with their office and the date their term expires, are listed below:

Corporation Board Member	Board Office	Occupation	Experience	Current Term Expires
Neal Cohen, MD	Chair	Physician and Vice Dean, UCSF Medical School	Second Term	June 2017
Dennis Chiu	Vice Chair	Government Relations Specialist, the Doctors Company	Initial Term	November 2016
Peter Fung, MD	Secretary/ Treasurer	Physician	Initial Term	November 2018
Jeffrey Davis, MD		Senior Medical Director, XG Health Solutions	Second Term	June 2019
Julia Miller		Owner, Miller and Associates	Initial Term	November 2016
David Reeder		Retired; former Business Analyst, Oracle Corporation	Four prior terms (one partial)	November 2018
Lanhee Chen		Professor; Stanford University, Political Consultant	Initial Term	June 2018
John L. Zoglin		eCommerce; IBM Corporation	Two prior terms (one partial)	November 2016
Tomi Ryba		Chief Executive Officer of the Corporation	Began in 2011	Ex officio

The Corporation Board has formed six standing Advisory Committees; the Finance Committee, the Executive Compensation Committee, the Corporate Compliance, Privacy and Internal Audit Committee, the Investment Committee, the Governance Committee and the Quality, Patient Care and Patient Experience Committee. The standing Advisory Committees are composed of a combination of Corporation Board members and individuals with expertise in the subject matter of the committee. All committee members are appointed by the Corporation Board Chair subject to approval by the Corporation Board. These appointments are reviewed at least annually by the Corporation Board.

The Corporation has established policies to identify and address conflicts of interest of the Corporation Board members, employees and others. Such individuals are required to complete and update annual reports of conflicting interests. Each Corporation Board agenda includes an agenda item where conflicts with matters on the agendas are disclosed.

Dr. Peter Fung presently provides service as an on-call physician in the Hospital's emergency room. This contract was in existence prior to Dr. Fung's election to the District Board and appointment by the District Board to the Corporation Board and was renewed following a finding by the Board in February 2016 that the contract is fair and in the interests of El Camino Hospital and El Camino Hospital could not have obtained a more advantageous arrangement.

The Corporation – Management

The management and policies of the Corporation are administered by officers appointed by the Chief Executive Officer. The Chief Executive Officer is selected by the Corporation Board and approved by the District Board (approval of the Chief Executive Officer by the District Board is a recent amendment to the Corporation's bylaws that became effective after the appointment of the current Chief Executive Officer).

Following are brief biographies of the key officers of the Corporation:

[Tomi Ryba – President and Chief Executive Officer. The President and Chief Executive Officer of the Corporation is responsible for administering the affairs of the Corporation in accordance with the policies adopted by the Corporation Board. Ms. Ryba began her term as President and Chief Executive Officer in 2011. She has more than 25 years of experience in hospital administration. Most recently Ms. Ryba served as president of United Hospital in St. Paul, Minnesota and senior vice president of the hospital's parent organization Allina Hospitals & Clinics. Prior to joining United Hospital, she served as chief operating officer at the University of California, San Francisco Medical Center. Other executive positions include president of St. Mary Medical Center in Long Beach, California, and chief operating officer of Harborview Medical Center in Seattle, Washington. Ms. Ryba received her master's degree in health administration from Chapman University and a bachelor's degree from University of California, Riverside.]

Ifitikhar Hussain – Chief Financial Officer. The Chief Financial Officer of the Corporation oversees the financial affairs of the Corporation. Mr. Hussain joined the Corporation as its Chief Financial Officer in the spring of 2014. He has more than 30 years of healthcare financial experience. Most recently, Mr. Hussain was chief financial officer of Mills-Peninsula Health Services in Burlingame, California. Other previous roles include director of finance at Alta Bates Summit Medical Center in Oakland, California and director of accounting services at Mercy Healthcare/Catholic Healthcare West in Sacramento, California. He earned a bachelor's degree in finance and accounting from the University of California, Berkeley. Mr. Hussain is a member of the Healthcare Financial Management Association.

Mick Zdeblick – Chief Operating Officer. Mick Zdeblick joined the Corporation in the fall of 2012 as its Chief Operating Officer. He has more than 25 years of management and operational experience. Mr. Zdeblick spent the majority of his career at APM Inc. (acquired by CSC in 2001). He previously served as vice president of operations at Rush University Medical Center in Chicago. Mr. Zdeblick earned his bachelor's degree in business administration from Marquette University and his master's degree from Northwestern University Kellogg School of Management in Chicago.

William Faber M.D. – Chief Medical Officer. Dr. William Faber joined the Corporation as the Chief Medical Officer in the summer of 2016. He has more than 30 years of medical experience. Prior to coming to the Corporation Dr. Faber held many senior leadership roles, including several with Advocate Health Care in Oakbrook, Illinois and most recently with General Electric (GE) Healthcare Camden Group in Chicago, Illinois. Dr. Faber earned both his medical degree and his master's degree in medical ethics from Loma Linda University, and received a master of science in health care management from Harvard School of Public Health. Dr. Faber, board certified in family medicine, completed his residency at Family Medicine at Hinsdale Family Medicine Practice in Hinsdale, Illinois. He is a Fellow of the American Academy of Family Practice and a member of the American Academy of Family Physicians.

Ken King – Chief Administrative Services Officer. The Chief Administrative Services Officer for the Corporation is responsible for all support services operations. Ken King joined the Corporation in 1988. Before joining the Corporation, Mr. King worked in various engineering management positions in hospitals in Southern California. He is a member of the American Society of Hospital Engineers, National Fire Protection Agency, and the Association for the Advancement of Medical Instrumentation.

Debbie Muro – Interim Chief Information Officer. Deborah Muro, a leader in health information technology with more than 30 years of combined healthcare and industry experience, joined the Corporation in 2014. Previously, she was an Executive Leader in Information Services at UnityPoint Health, the 5th largest non-denominational integrated health system in the nation. Prior to that, she served as an Executive Leader in Information Services at Allina Health System, the largest health system

in Minnesota. As Interim CIO, her current responsibilities include management and oversight of technology strategy and the Information Services Division. Ms. Muro holds a Bachelor in Science in Nursing Degree from Baylor University and a Master of Science Degree in Human Relations and Business from Amber University.

Cheryl Reinking, RN – Chief Nursing Officer. Cheryl Reinking has served the Corporation in progressive nursing leadership roles for the past 26 years becoming the Chief Nursing Officer in 2014. Ms. Reinking received a bachelor's degree in nursing from Illinois Wesleyan University and her master's degree from San Jose State University. She is a member of the El Camino Hospital Community Benefit Advisory Board, Integrated Nurse Leadership Program Board and Private Duty for Pathways Home Health and Hospice Board. Ms. Reinking is also certified by American Nurses Credentialing Center in advanced nursing administration.

Mary Rotunno, General Counsel. Mary Rotunno is the General Counsel for the Corporation. Before joining the Corporation in early 2014, she served for over 11 years as Senior Counsel for the Bay Area Region at Dignity Health in San Francisco, California. She has more than 25 years of experience as an attorney specializing in litigation and healthcare law. Ms. Rotunno graduated from University of Illinois at the Medical Center with a Bachelor of Science in Nursing and worked as a registered nurse before earning her Juris Doctor degree from University of California, Hastings College of Law.

Kathryn Fisk – Chief Human Resources. Kathryn Fisk joined the Corporation in early 2014. Most recently Ms. Fisk was regional director of human resources for the Florida Region of Tenet Healthcare. She also served in several senior-level human resources positions at the University of Miami Health System, Baptist Health South Florida and the University of Massachusetts Medical Center and School. Along with her master's degree in biology and her master's degree in business administration, she holds a lifetime Senior Professional in Human Resources certification from the Society of Human Resources Management.

Joan Kezic – Vice President, Payor Relations. Joan Kezic is the Vice President of Payor Relations responsible for negotiating agreements with health plans, managing interactions with managed care companies, maintaining a contract reimbursement computer system, tracking legislative changes regarding managed care issues, and assisting physicians with managed care issues. Ms. Kezic joined the Corporation in 1996 after ten years as director of contracting at Sequoia Hospital in Redwood City, California. She received a bachelor's degree in health planning and business administration from Penn State University. Ms. Kezic is a member of the Managed Care Committee of the California Healthcare Association and The Healthcare Financial Management Association.

Cecile Currier – Vice President, Corporate and Community Health Services. Cecile Currier is the Vice President of Corporate and Community Health Services for the Corporation, as well as the Chief Executive Officer of CONCERN: Employee Assistance Program. An employee of the Corporation since 1985, she has many years of experience in health care with a focus on behavioral health, community health services, occupational health and employee assistance programs. Ms. Currier earned a bachelor's degree in sociology and a master's degree in social work from the University of California, Santa Barbara. She is also a licensed clinical social worker.

Jodi Barnard, President of the Foundation. Jodi Barnard is the President of the El Camino Hospital Foundation overseeing fundraising activities that benefit programs, services and equipment across the Corporation. Ms. Barnard joined the El Camino Hospital Foundation in the fall of 2013. She has more than 25 years of development leadership experience across acute and pediatric healthcare, higher education and nonprofit institutions. Most recently Ms. Barnard served as the regional executive director for statewide foundations of Providence Health & Services in Oregon and executive director of

the Providence Community Health Foundation, Southern Oregon Service Area. Before moving to Oregon, she led development programs at The Children's Medical Center of Dayton, the University of Dayton and Qbase. Ms. Barnard is a graduate of Interlochen Arts Academy and DePauw University.

HOSPITAL FACILITIES AND SERVICES

The Corporation currently operates a full-service acute-care community hospital (the "Hospital") comprised of two campuses located in Mountain View and Los Gatos, California. The Corporation operates a facility known as El Camino Hospital on the Mountain View campus and a facility known as El Camino Hospital – Los Gatos on the Los Gatos campus. The two campuses of the Hospital operate under a single license issued by the State of California Department of Health Services. The Hospital provides a range of clinical and surgical services, including: behavioral health, cancer, community health, corporate health, diagnostic imaging, dialysis, emergency, heart and vascular, lab, eating disorder, pediatric, maternity, neonatal intensive care, orthopedic, rehabilitation, and senior services. Since opening the original hospital on the Mountain View campus in 1961, the Hospital has grown from 21 medical staff members to almost 1,400 medical staff members. In fiscal year 2016, the Hospital's medical staff treated approximately 199,000 outpatients, had 18,618 discharges, including 10,607 surgeries.

Honors and Distinctions

The quality of the Hospital's services has been recognized by several health care industry organizations and at local, regional, and national levels. The Hospital was named one of the 2016 100 Top Hospitals® by Truven Health Analytics™ and one of 17 Everest Award winners.

The Joint Commission has awarded the Hospital its Gold Seal of Approval as a Primary Stroke Center, Gold Seal of Approval in Hip and Knee Replacement and Spinal Fusion Surgery for the Los Gatos campus and Gold Seal of Approval in Hip and Knee Replacement and Hip Fracture for the Mountain View Campus.

The Hospital has attained the prestigious Magnet® recognition by the American Nurses Credentialing Center® (ANCC) for the third consecutive time. The ANCC Magnet Recognition Program® recognizes hospitals that demonstrate superior patient care, nursing excellence and innovations in professional nursing practice and is considered the highest honor for quality nursing..

The Commission on Cancer of the American College of Surgeons granted a three-year Accreditation with Commendation to the cancer program at El Camino Hospital. To earn accreditation, a cancer program must meet or exceed 34 quality care standards, be evaluated every three years and maintain levels of excellence in the delivery of comprehensive patient-centered care. This accreditation is the highest that can be achieved by a community hospital.

In 2015, El Camino Hospital's After School Program Interventions and Resiliency Education (ASPIRE) Program for teens received the Western Association of Schools and Colleges (WASC) Accreditation. The ASPIRE program received a six-year accreditation, the highest level of accreditation, and teens who complete the program are eligible to receive up to five WASC-approved semester credit hours to be applied toward their high school graduation.

That same year the National Alliance on Mental Illness (NAMI) California Chapter recognized El Camino Hospital as the 2015 Outstanding Treatment Provider for its high quality, compassionate and specialized mental health services. Of particular note were El Camino Hospital's improved access to services and expanded outpatient programs for people with mental health conditions. Collaborating with

local community organizations, leaders and families to provide appropriate and necessary care and services was also a factor in the decision to present the Hospital with the Outstanding Treatment Provider Award

Also in 2015, El Camino Hospital achieved "Exemplar" status for its NICHE (Nurses Improving Care for Healthsystem Elders) Program. NICHE is the premier designation indicating a hospital's commitment to excellence in the care of patients 65 years and older. The "Exemplar" status recognizes El Camino Hospital's ongoing dedication to geriatric care and pre-eminence in the implementation and quality of system-wide interventions and initiatives that demonstrate organizational commitment to the care of older adults. Additional awards and recognitions received by the Hospital include:

- Recognition as one of America's Best Hospitals for Obstetrics by the 2016 Women's Choice Award®;
- Accredited as a Chest Pain Center with Percutaneous Coronary Intervention (PCI) by the Society of Cardiovascular Patient Care since 2008;
- Accreditation from the Commission on Accreditation of Rehabilitation Facilities ("CARF") for the stroke and inpatient rehabilitation center at El Camino Hospital Los Gatos;
- Recognition as a Patient-Centered Medical Home Level 3 by the National Committee for Quality Assurance for the Senior Health Program at Silicon Valley Primary Care; • Recognition by the American Association of Cardiovascular and Pulmonary Rehabilitation since 2005 for the Cardiovascular Pulmonary Wellness Center;
- Designated member of Centers of Excellence network in the area of Bariatric Resource Services by Optum™;
- Blue Distinction Center for bariatric surgery, knee and hip replacement, and spine surgery by Blue Shield of California; and
- Attained Get With The Guidelines®-Stroke Gold-Plus Quality Achievement Award since 2009 and Target: Stroke Honor Roll since introduced in 2010 by the American Heart Association and American Stroke Association.

Bed Distribution

The Hospital is currently licensed for 443 beds, 270 of which are currently staffed and operating. The following table shows the existing distribution of licensed and staffed beds by bed category at the Mountain View and Los Gatos campuses as of June 30, 2016.

Types of Service	Licensed Beds			Beds in Operation		
	Mtn. View	Los Gatos	Total	Mtn. View	Los Gatos	Total
Medical/Surgical/Peds	201	127	328	125	41	166
Maternity	54	14	68	50	7	57
NICU	20	2	22	20	2	22
Psych	25	0	25	25	0	25
Total	300	143	443	220	50	270

The Corporation leases certain facilities at its Mountain View campus to Lucile Salter Packard Children's Hospital at Stanford ("Stanford Children's Hospital"). The current lease is scheduled to end in November 2019. The lease allows for two 5 year extensions at the option of the lessee. The area being leased includes 30 beds on the fourth floor of the hospital building and such beds are not reflected in the table above.

Information Technology Strategy

Starting in fiscal year 2011 the Hospital began participating in the Medicare and Medicaid EHR (Electronic Health Record) Programs that provide financial incentives for the meaningful use of certified EHR technology to improve patient care. To receive an EHR incentive payment for meaningful use, providers must meet certain established thresholds for EHR use. The EHR Incentive Programs meaningful use threshold increase over time in three (3) stages. Eligible hospitals participate in these programs based on the federal fiscal year, which ends September 30. A hospital provider must attest to demonstrating meaningful use and supply documentation every year to receive a meaningful use incentive and to avoid a Medicare payment adjustment. For the federal fiscal years ending in 2011, 2012, and 2013 the Hospital received over \$6.1 million in meaningful use incentive payments.

Beginning with the fourth quarter of fiscal year 2013, in an effort to reduce costs and prepare for an anticipated migration to a new state-of-the-art Electronic Medical Record system, the Hospital hired as employees the individuals who were previously employed by the Hospital's provider of out-sourced IT and Health Information Managements Services.

At the end of fiscal year 2013 the Hospital Board approved a \$19 million project at its Mountain View campus to build out a 16,000 square foot area of its new hospital to create a new high tech data center with sophisticated and current IT hardware and applications to replace its then-current data center. This new data center was completed in June 2016 and the migration from the old data center was completed in the fall of 2016.

In fiscal year 2014, the Corporation began the process of replacing the Hospital's current electronic health record system. In January 2014, the Hospital entered into a multi-year strategic partnership with the Epic Corporation to install a state of the art electronic system referenced internally as "iCare." The new electronic record system provides the Hospital's health care providers access to lifetime health records for patients across its regional community while delivering real-time bedside clinical decision support on an integrated platform. This platform will provide for exchange of patient medical data with many of the Hospital's strategic service area partners. The projected total capital investment for the implementation of iCare is approximately \$73 million. The iCare electronic health record system went "live", as projected, on November 7, 2015, with a current capital investment at June 2016 of \$57 million and \$8 million in training of employee staff and physicians. Beginning in fiscal year 2017 the Corporation will initiate upgrades and refinements to its iCare system.

Capital Facilities Expenditures [Not yet updated, discuss]

In addition to the Project (See "PLAN OF FINANCE" in the forepart of this Official Statement), the Corporation's capital expenditure forecasts include the following potential capital expenditures that may be financed in whole or in part by additional indebtedness. To the extent not financed with indebtedness the Corporation expects to use cash reserves and funds from operations.

At the Mountain View campus:

- a project to replace the Behavioral Health building is expected to begin in March 2016, this project is projected to be completed in 2017 at a total cost of approximately \$53 million with approximately \$4.2 million in costs incurred through February 11, 2015.
- a project to expand the North Drive Parking Garage is expected to begin in November 2015, this project is projected to be completed in 2016 at a total cost of approximately \$15 million with less than \$100 thousand in costs incurred through February 11, 2015.
- a project to construct an integrated medical office building is currently in the design stage and construction is expected to begin in July 2016, this project is projected to be completed in 2018 at a total cost of approximately \$224 million with less than \$300 thousand in costs incurred through February 11, 2015.
- a project to expand the Women's Hospital is at a preliminary discussion stage with the Corporation Board, the current estimated cost of this project is approximately \$90 million.
- a project to demolish the main tower of the replaced hospital building as discussed above is projected to enter the design stage in the latter half of 2016 and to be completed in 2019 at an estimated cost of \$6 million.

At the Los Gatos campus:

- Except for the Project (See "PLAN OF FINANCE" in the forepart of this Official Statement) the Corporation is not currently planning any significant capital expenditures on this campus.

The Corporation is financing, or intends to finance, these projects through a combination of cash, operating reserves or additional indebtedness depending on existing results of operation, market conditions and other factors. The Corporation currently anticipates having funds available to finance and/or pay for these projects without incurring additional indebtedness and, accordingly, only intends to incur such indebtedness if it is determined at that time to be a more beneficial source of capital than the use of existing cash or reserves or other sources of available funds. The Corporation currently expects to limit any additional indebtedness incurred to finance these projects to approximately 40% of total projected capital expenditures subject to market conditions.

Status of Seismic Compliance

The hospital building on the Mountain View campus meets the seismic standards for hospital facilities under the Hospital Seismic Safety Act of 1994 and the Corporation has no further obligations under the Act with respect to the new hospital building. Seismic upgrades which were required to allow all hospital buildings on the Los Gatos campus to remain in operation through 2029 have been completed. The Corporation is aware of the need for a long-term strategic plan for the continued operation of the Los Gatos campus taking into account the seismic standards in the Hospital Seismic Safety Act of 1994 to be met by the year 2030. However, at this early stage the Corporation has yet to develop a plan for the Los Gatos campus after 2030 and is beginning to explore available options.

Licensure and Accreditation

The Hospital is licensed by the State of California Department of Health Services for up to 443 beds and accredited by The Joint Commission, an independent not-for-profit organization that accredits

and certifies more than 15,000 health care organizations and programs in the United States. The Mountain View campus and the Los Gatos campus operate under the same tax identification number, state healthcare license number, and various provider numbers. The Hospital is certified for Medicare and Medicaid reimbursement. The Hospital's laboratory services are accredited by The Joint Commission and certified by the College of American Pathologists, as applicable.

PHYSICIANS AND EMPLOYEES

Medical Staff

Appointment to the Hospital Medical Staff is open to physicians, dentists, and podiatrists who are licensed to practice in the State of California and can document, to the satisfaction of the Corporation Board, their background, experience, training and current competence, adherence to the ethics of their profession, their ability to work with others, and that their health status is good enough to permit them to practice the privileges requested. The Corporation Board, upon recommendation of the Medical Staff Executive Committee, makes appointments to the Medical Staff and approves clinical privileges. Initial appointments are for a period of no more than two years. Reappointments are approved for a period not to exceed two years. There is one Hospital Medical Staff and it provides services at both the Mountain View and Los Gatos campuses. The Medical Staff is divided into the following categories: active, provisional, courtesy, consulting, associate, emeritus, honorary, and dialysis-affiliated staff.

As of June 30, 2016, the Hospital's Medical Staff at both campuses comprised 1,373 physicians. Active category staff members include physicians, dentists and podiatrists who utilize the Hospital's services and facilities and participate in the medical activities of the Hospital on a regular basis. Active category members of the Medical Staff have voting rights. All physicians, dentists and podiatrists joining the Medical Staff must first complete a minimum of six months or maximum of two years in the provisional category, during which time their care is subject to review by designated proctors. At the end of the provisional category, a member may proceed to active category status, courtesy category status (limited in the allowable number of patient contacts per year), or may be terminated due to failure to meet requirements for advancement. The consulting staff consists of specialists who come to the Hospital when requested to render opinions within their clinical expertise. Associate staff are practitioners who do not have a hospital-based practice but nonetheless regularly deliver services to persons within the Hospital's local community. Emeritus staff are older physicians who have been members of the active category for at least ten years and who wish to take a less active role on the Medical Staff.

Leading Admitters. The table below shows the top ten admitting physicians by specialty, age, and number of discharges for the year ending June 30, 2016. These top ten admitters accounted for approximately 9% (2,117) of the total discharges at the Hospital for fiscal year 2016.

Specialty	Age	Discharges in Fiscal Year Ended June 30, 2016
Physical Medicine & Rehabilitation	42	312
Internal Medicine	59	243
Orthopedic Surgery	41	240
Obstetrics / Gynecology	52	210
Internal Medicine	59	194
Obstetrics / Gynecology	52	194
Obstetrics / Gynecology	75	183
Obstetrics / Gynecology	49	181
Obstetrics / Gynecology	39	180

Specialties. The following tables include all physicians on the Hospital's Medical Staff as of June 30, 2016.

Medical – Specialties	Number of Physicians
Allergy and Immunology	14
Cardiology	29
Cardiology – Interventional	28
Critical Care Medicine	2
Dermatology	26
Electrophysiology	4
Endocrinology, Diabetes & Metabolism	10
Female Pelvic Medicine & Reconstructive Surgery	2
Gastroenterology	30
Hematological & Medical Oncology	22
Hospice and Palliative Medicine	3
Infectious Disease	11
Internal Medicine	120
Internal Medicine Hospitalist-CHIPS	2
Internal Medicine Hospitalist-PAMF	14
Internal Medicine Hospitalist-PARAGON	16
Internal Medicine Hospitalist-TeamHealth	15
Medical Genetics	1
Nephrology	19
Neurology	20
Neurophysiologic Monitoring	1
Neurophysiology - Clinical	7
Pain Management	8
Pathology - Clinical	1
Physical Medicine & Rehabilitation	20
Pulmonary Disease	16
Rheumatology	10
Sleep Medicine	4
Telemedicine – Intensive Care	20
Medical Total:	475

Surgical – Specialties	Number of Physicians
Dentistry	2
Oral & Maxillofacial Surgery	11
Pediatric Dentistry	3
Podiatry	32
Surgery-Cardiothoracic	11
Surgery-General	40
Surgery-Hand	6
Surgery-Neurological	14
Surgery-Oncological	1
Surgery-Ophthalmology	44
Surgery-Ophthalmology Pediatric	1
Surgery-Oral & Maxillofacial	1
Surgery-Orthopaedic	46

Surgical – Specialties	Number of Physicians
Surgery-Otolaryngology	23
Surgery-Plastic & Reconstructive	31
Surgery-Thoracic	1
Surgery-Urology	32
Surgery-Vascular	7
Surgical Assist	15
Surgical Total	321

[BDV Note: how is surgery-Oral & Maxillofacial different than second row of above table?]

Other Specialties	Number of Physicians
Anesthesiology	42
Emergency Medicine	34
Family Medicine	78
Geriatric Psychiatry	2
Gynecologic Oncology	7
Gynecology	6
Hospitalist-OB	10
Maternal and Fetal Medicine	20
Neonatal-Perinatal Medicine	22
Obstetrics & Gynecology	75
Pathology-Anatomic & Clinical	6
Pediatric Allergy	5
Pediatric Cardiology	5
Pediatric Genetics	2
Pediatric Infectious Disease	3
Pediatric Neurology	4
Pediatric Pulmonology	1
Pediatrics	129
Psychiatry	23
Psychiatry – Child	4
Radiation Oncology	14
Radiology-Diagnostic	18
Radiology-Vascular & Intervention	9
Reproductive Endocrinology	5
Telemedicine-Psychiatry	20
Telemedicine-Radiology	33
Other Total	577
Medical Staff Grand Total	1,373

Physician Relations

In addition to working with physicians through the organized Medical Staff, the Corporation periodically reviews the needs of the community it serves with regard to physician recruitment and retention. The Corporation also maintains communication with several major integrated medical groups practicing in the Hospital's service areas, including Palo Alto Medical Foundation for Health Care, Research and Education, a part of Sutter Health. The Palo Alto Medical Foundation ("PAMF") has a major presence in Palo Alto and Mountain View. The Corporation and PAMF are collaborating on clinical program development, care coordination and population health models including data sharing, community benefit programs and co-location of facilities.

SERVICE AREA AND COMPETITION

Primary Service Areas

The Corporation defines the Hospital's service areas by patient origin, geographic accessibility to the Hospital and location of the majority of physician offices of its medical staff. The Hospital's Primary Service Area for the Mountain View campus includes Mountain View, Los Altos, Los Altos Hills, Sunnyvale and Cupertino. The Hospital's Primary Service Area for the Los Gatos campus includes Campbell, Los Gatos, a portion of San Jose and Saratoga. The Hospital's East Primary Service Area is served by both campuses and includes Alviso, a portion of San Jose, Santa Clara and Sunnyvale. The Hospital's patient discharges from its Primary Service Areas were approximately 75% of its total inpatient discharges for fiscal year 2016. The following map identifies the Primary Service Areas of the Hospital, Secondary Service Areas to the North and the East and the location of certain competitors, see "Market Share" and "Competition" below. The Hospital's patient discharges from its Primary Service Areas and its Secondary Service Areas were approximately 87% of its total inpatient discharges for fiscal year 2016.

El Camino Hospital Service Area



Service Area/ City	2016 Population
Mountain View Primary	298,533
Los Gatos Primary	536,565
East Primary	430,113
East Secondary	453,783
North Secondary	113,024
Service Area Total	1,832,018

Market Share

In addition to El Camino Hospital, the Hospital's service area is also served by several other acute-care hospitals. Stanford Children's Hospital, a specialty children's hospital, is also in the Hospital's North Secondary Service Area. The following illustrates the market share data for the top nine general acute care providers of service for the Hospital's Service Areas for the calendar years 2012, 2013, and 2014. This data is based solely upon discharges from the Hospital's Service Areas which are determined by zip code.

Hospital	Calendar Year 2012	Calendar Year 2013	Calendar Year 2014
El Camino Hospital	17.6%	17.3%	17.8%
Kaiser Hospitals (Santa Clara and San Jose) ⁽¹⁾	23.4	23.3	20.5
Good Samaritan Hospital ⁽²⁾	13.6	13.6	13.9
Stanford & Stanford Children's Hospital ⁽³⁾	9.1	9.1	9.2
Santa Clara Valley Medical Center ⁽⁴⁾	16.8	17.1	17.5
O'Connor Hospital ⁽⁵⁾	8.5	8.6	7.9
Regional Medical Center of San Jose ⁽²⁾	5.0	5.0	5.3
All Other	6.1	6.0	7.9

Inpatient Market Share across the Primary Service Area consisting of 75% of the Hospital's discharges.

Source: OSHPD, excludes normal newborns.

- (1) Part of the Kaiser Permanente integrated healthcare delivery system.
- (2) Part of Hospital Corporation of America.
- (3) Affiliated with Stanford University.
- (4) Owned and operated by the County of Santa Clara.
- (5) Part of Daughters of Charity Health System.

Competition

The following table details geographical information regarding certain key competitors of the Hospital.

Hospital	Location (City)	Distance from the Mountain View Campus	Licensed Beds
Kaiser Foundation Hospital - Santa Clara	Santa Clara	9.4 mi.	286
Stanford Hospital	Palo Alto	11.3	613
Santa Clara Valley Medical Center	San Jose	11.0	574
Good Samaritan Hospital	San Jose	12.0	392
O'Connor Hospital	San Jose	12.0	358
Kaiser Foundation Hospital - Redwood City	Redwood City	14.3	213
Sequoia Hospital	Redwood City	16.4	421
Kaiser San Jose	San Jose	20.5	242

Source: OSHPD.

Demographics

The Hospital is located in the City of Mountain View and the City of Los Gatos, each within Santa Clara County, which lies immediately south of the San Francisco Bay and is the fourth most populous county in California. The following table lists population figures for the County of Santa Clara and the State at various intervals during the fifty-six year period beginning in 1960.

**Population Estimates
Certain Calendar Years 1960 through 2016**

Calendar Year⁽¹⁾	County of Santa Clara	State of California
1960	642,315	15,717,204
1970	1,065,313	19,971,022
1980	1,295,071	22,911,000
1990 ⁽²⁾	1,497,577	29,758,213
2000 ⁽²⁾	1,682,585	33,873,086
2010 ⁽²⁾	1,781,642	37,253,956
2011	1,794,337	37,427,946
2012	1,813,702	37,668,804
2013	1,840,895	37,984,138
2014	1,868,558	38,340,074
2015	1,903,074	38,907,642

⁽¹⁾ As of January 1

⁽²⁾ As of April 1

Source: California Department of Finance.

SELECTED UTILIZATION AND FINANCIAL INFORMATION

Certain of the information in this section concerning the finances of the Corporation or the District is provided as supplementary information only. Although the financial statements of the Corporation are consolidated with those of the District and its other Affiliates, in accordance with Governmental Accounting Standards Board (“GASB”) accounting principles, and some of the financial information in this Appendix A is presented on a consolidated basis, the Corporation is the sole Member of the Obligated Group under the Master Indenture and the sole borrower under the Loan Agreement.

Historical Utilization

The Hospital's utilization statistics for the last three fiscal years are presented below.⁽¹⁾

	Fiscal Year Ended June 30		
	2014⁽²⁾	2015⁽²⁾	2016⁽²⁾
Licensed beds	443	443	443
Discharges	18,567	19,081	18,618
Births	5,207	5,113	4,742
Patient days	86,883	89,787	88,700
Occupancy %	54%	94%	93%
Average daily census	238	246	242
Average length of stay (days)	4.7	4.7	4.8
Inpatient surgical procedures	4,571	4,488	4,508
Outpatient surgical procedures	6,385	6,474	6,099
Emergency room visits	57,839	61,286	60,433
Total outpatient visits	227,798	201,580	198,733

⁽¹⁾ Does not include utilization statistics for facilities leased to Stanford Children's Hospital. See "HOSPITAL FACILITIES AND SERVICES – Bed Distribution" herein.

⁽²⁾ Unaudited.

Summary Financial Information for the Corporation

The financial statements of the Corporation are consolidated with those of the District and its other Affiliates in accordance with GASB. Appendix B to this Official Statement contains the District's consolidated financial statements for the years ended June 30, 2016 and 2015. On an unconsolidated basis in fiscal year 2016, the Corporation had total revenues of approximately \$_____ (including operating revenues of approximately \$_____ and changes in net realized and unrealized gains and losses of \$_____) and a change in net position of approximately \$_____ over fiscal year 2015. The Corporation's net revenues were approximately [99]% of the total net revenues of the District and Affiliates. Net position of the Corporation was approximately [105]% of the total net position of the District and Affiliates.

The following tables reflect the Corporation's revenues, expenditures and changes in net position for fiscal years 2014 through 2016 and balance sheets as of June 30, 2014, 2015 and 2016. Information for fiscal years 2014 through 2016 is derived from the District's audited consolidated financial statements for those fiscal years. All eliminations and reporting adjustments have been made to present the information in accordance with GASB. Certain prior year amounts have been reclassified to conform with the current period presentations, the effect of which is not material. This data should be read in conjunction with the audited financial statements for the fiscal years ended June 30, 2016 and 2015 and related notes included in Appendix B.

El Camino Hospital Revenues, Expenditures and Changes in Net Position
(in thousands)

	Audited Fiscal Year Ended June 30		
	2014	2015	2016
Operating revenues:			
Net patient service revenues	\$ 719,487	\$ 746,645	\$ 772,020
Other revenues	20,498	21,105	23,636
Total operating revenues	739,985	767,750	795,656
Operating expenses:			
Salaries	395,286	409,897	435,184
Supplies	104,353	109,961	117,988
Professional fees and purchased services	86,303	92,373	98,019
Rent and utilities	15,324	14,897	15,389
Depreciation and amortization	47,546	44,627	48,748
Other	20,867	17,349	25,487
Total operating expenses	669,679	689,104	740,815
Operating income	70,306	78,646	54,841
Non-operating revenues and expenses:			
Investment income, net	51,177	17,970	(1,697)
Unrealized gain (loss) on interest rate swap	(142)	(1,009)	(3,214)
Community benefit expense	(1,477)	(2,397)	(2,716)
Other, net ⁽¹⁾	(957)	1,750	(2,891)
Total nonoperating revenues and (expenses)	48,601	16,314	(10,518)
Capital Transfers	(1,542)	2,535	1,365
Increase in net position	117,365	97,495	45,688
Total net position, beginning of period	1,046,518	1,163,883	1,252,253
Cumulative effect of restatement	0	(9,125)	0
Total net position, end of period	<u>\$1,163,883</u>	<u>\$1,252,253</u>	<u>\$1,297,941</u>

⁽¹⁾ Includes income attributable to the Corporation's investment in the Surgery Center.

El Camino Hospital Balance Sheets
(in thousands)

Assets	Audited Fiscal Year Ended June 30		
	2014	2015	2016
Current assets:			
Cash and cash equivalents	\$ 49,226	\$ 55,244	\$ 59,169
Short-term investments	209,028	209,155	168,833
Current portion of board designated , restricted funds and trustee assets	--	--	--
Patient accounts receivable, net of allowances for doubtful accounts	102,564	95,737	120,960
Prepaid expenses and other current assets	22,632	23,701	23,596
Total current assets	383,450	383,817	372,558
Board-designated funds	393,455	443,486	456,406
Funds held by Trustee	9,384	37,676	30,841
Restricted funds	3	5	--
Capital assets, net	651,573	686,537	731,525
Prepaid pension	36,099	24,327	22,651
Investment in health care affiliates	26,584	31,808	31,627
Total assets	\$ 1,500,548	\$1,607,656	\$1,645,608
Deferred Outflows:			
Loss on defeasance debt	--	15,364	14,764
Deferred outflow of resources	--	7,200	5,100
Deferred outflows – actuarial	--	2,654	9,950
Total deferred assets	--	25,218	29,814
Total assets and deferred outflows	\$ 1,500,548	\$1,632,874	\$1,675,422
Liabilities and Net Position			
Current liabilities:			
Accounts payable and accrued expenses	\$ 29,856	\$ 30,345	\$ 28,149
Salaries, wages, and related liabilities	43,227	45,728	48,575
Other current liabilities	9,614	6,125	13,310
Estimated third-party payor settlements	21,944	20,253	11,314
Current portion of bonds payable	3,157	5,475	5,482
Total current liabilities	107,798	107,926	106,830
Bonds payable, net of current portion	178,294	222,446	215,539
Other long-term obligations	10,247	10,633	13,955
Worker's Compensation ,net of current position	24,037	22,419	20,009
Postretirement medical benefits, net of current position	16,289	17,197	18,256
Total liabilities	336,665	380,621	374,589
Net position:			
Unrestricted	693,758	796,632	756,596
Invested in capital assets, net of related debt	470,122	458,616	541,345
Restricted	3	5	--
Total net position	1,163,883	1,252,253	1,297,941
Total liabilities and net position	\$1,500,548	\$1,632,874	\$1,675,422

Sources of Patient Services Revenue

The Corporation derives a significant portion of its revenues from Medicare, Medi-Cal, managed care providers, commercial insurance carriers, and others. The following table sets forth the payor mix, based on gross patient revenues, for the last three fiscal years.

	Fiscal Year Ended June 30		
	2014	2015	2016
Medicare	45%	46%	47%
Medi-Cal	6	7	7
HMO & PPO	44	43	42
Others	5	4	4

The Corporation is subject to governmental regulations applicable to health care providers and the receipt of future revenues from the operation of the Hospital is subject to, among other factors, federal and State policies affecting the health care industry and other conditions that are impossible to predict. Such conditions may include decreasing revenues while maintaining an appropriate amount and quality of health services, changes in reimbursement or prospective payment policies and unanticipated competition from other health care providers. The effect on the Corporation of recently enacted laws and regulations and of future changes in federal and State laws and policies cannot be fully or accurately determined at this time.

In addition, future economic and other conditions, including inflation, demand for hospital services, the capability of management of the Hospital, the ability of the Hospital to provide the services required or requested by patients, physicians' confidence in the Hospital and management, economic developments in the service area served by the Hospital, employee relations and unionization, competition, rates, increased costs, availability of professional liability insurance, hazard losses, third-party reimbursement and changes in governmental regulation may adversely affect operating revenues. See "BONDHOLDERS' RISKS" in the forepart of this Official Statement.

Capitalization

The capitalization of the Corporation as of June 30, 2016, and the *pro forma* capitalization of the Corporation as of June 30, 2016, as adjusted to give effect to the issuance of the Bonds, is set forth in the following table.

	Capitalization (in thousands)	Pro Forma Year Ended June 30, 2016
	Year Ended June 30, 2016	
Long-term Parity Debt:		
Series 2015 Bonds	\$ 154,980	\$ 154,980
Series 2009A Bonds	50,000	50,000
Series 2016 Bonds	--	[160,455]
Total long-term parity debt	\$ 204,980	\$ 210,455
Total Net Position	\$1,297,941	\$1,163,880
Total capitalization	\$1,502,921	\$1,374,335
Parity Debt as a Percentage of Total Capitalization ⁽¹⁾	13.64%	15.31%

⁽¹⁾ Calculated in accordance with the Master Indenture.

Interest Rate Swap

In connection with the original issuance of the Series 2007 Bonds, the Corporation entered into an interest rate swap agreement for each of the three series of the Series 2007 Bonds, two of which have been terminated. The existing interest rate swap agreement was amended and restated in connection with the remarketing of the Series 2007 Bonds (the “Swap Agreement”) and Citibank N.A., New York is the counterparty (the “Swap Counterparty”). The Swap Agreement has a term equal to the final maturity of the Series 2007 Bonds. Pursuant to the Swap Agreement, the Corporation pays a fixed rate on an initial aggregate notional amount equal to the principal amount of the applicable series of the Series 2007 Bonds. In return, the Swap Counterparty pays a floating rate equal to a percentage of LIBOR plus a spread on a like notional amount. The amounts payable by a party under the Swap Agreement are netted against the payments to be received by such party thereunder. The Corporation’s payment obligations pursuant to the Swap Agreement are secured by Obligation No. 2 issued under the Master Indenture. The Corporation’s payment obligations pursuant to the Swap Agreement are secured on parity with Obligation No. 5 securing the Bonds.

Under certain circumstances, the Swap Agreement is subject to termination prior to its scheduled termination date and prior to the maturity of the Bonds. In the event of an early termination of the Swap Agreement, there can be no assurance that (i) the Corporation will receive any termination payment payable to it by the Swap Counterparty, (ii) the Corporation will have sufficient amounts to pay a termination payment payable by it to the Swap Counterparty, or (iii) the Corporation will be able to obtain a replacement swap agreement with comparable terms. Such termination payments could be substantial. The mark-to-market of the value of the Swap Agreement to the Corporation has ranged from approximately \$1.9 million in June 2007 to negative \$12.2 million in July 2012. The Corporation has not been required to post collateral under the terms of the Swap Agreement since December 2009, when the other two interest rate swap agreements were terminated. As of June 30, 2016, the Swap Agreement had a negative valuation with respect to the Corporation of approximately \$11.0 million.

The Corporation may elect to terminate the Swap Agreement in whole or in part or may continue to pay the fixed rate on the notional amount, while the Swap Counterparty pays the floating rate.

Debt Service Coverage

The table set forth below shows the Corporation’s historical coverage of maximum annual debt service for fiscal year 2016 and the *pro forma* historical coverage of maximum annual debt service, as if the Bonds had been issued on June 30, 2016, calculated in accordance with the Master Indenture.

Debt Service Coverage Ratio		
(in thousands)		
	Year Ended June 30, 2016	Pro Forma Year Ended June 30, 2016
Excess of revenue over expenses ⁽¹⁾	\$47,537	\$118,907
Depreciation, amortization and interest expense	48,748	54,949
Income available for debt service	\$96,285	\$173,856
Maximum Annual Debt Service ^{(2) (3)}	\$16,337	\$16,761
Maximum Annual Debt Service Coverage Ratio ⁽³⁾	5.89x	10.37x

⁽¹⁾ Does not include unrealized losses on interest rate swaps.

- (2) Includes the Bonds and capital lease indebtedness under the Master Indenture. Maximum Annual Debt Service was computed using the actual interest for fiscal year 2016 and assuming a floating-to-fixed interest rate swap rate of 3.204% thereafter for the 2009 Bonds. [BDV Note: Confirm Accurate.]
- (3) Calculated in accordance with the Master Indenture.

Liquidity and Capital Resources

Days Cash on Hand

The following table shows the Corporation's calculation for Days Cash on Hand (in thousands) as of the ending of each of the last three fiscal years.

	As of June 30		
	2014	2015	2016
Cash, cash equivalents and short-term investments	\$258,254	\$264,379	\$228,002
Long-term investments	174,469	207,290	207,597
Board-designated funds	218,986	236,196	238,557
Total Cash and Unrestricted Investments	\$651,709	\$707,865	\$674,156
Operating expenses, less depreciation	\$622,133	\$644,447	\$692,067
Expenses per day	\$1,704	\$1,766	\$1,896
Days Cash on Hand ⁽¹⁾	382	401	356

⁽¹⁾ Calculated in accordance with the Master Indenture

MANAGEMENT'S DISCUSSION OF FINANCIAL OPERATIONS

Fiscal Year Ended June 30, 2016 Compared to Fiscal Year Ended June 30, 2015

See the District's audited consolidated financial statements for the years ended June 30, 2016 and 2015, included in Appendix B to this Official Statement for Management's Discussion and Analysis for the Years Ended June 30, 2015 and 2016. This management discussion and analysis relates to the consolidated financial statements of the District and Affiliates. The Corporation's net revenues were approximately [99]% of the total net revenues of the District and Affiliates. Net position of the Corporations was approximately [105]% of the total net position of the District and Affiliates.

Investment

The Hospital utilizes an Investment Consultant to assist the Hospital and its subsidiaries in managing its investments. The investment policy for surplus cash has been approved by the Hospital Board of Directors. The policy includes a diversified asset allocation program to balance the need for liquidity with a long-term investment focus in order to improve investment returns and the organization's financial strength. In fiscal year 2013, an Investment Committee was formed to perform the following responsibilities, among others: monitor performance of investment managers, monitor allocations across investment styles and investment managers, review compliance with the policies, and make recommendations for revisions to the policies. Throughout fiscal years 2014 and 2013, the number of money managers expanded from two money managers for surplus cash to approximately twenty-nine managers. As of fiscal year-end 2016 the number of money managers was twenty-nine for the surplus cash account.

The investment policy for surplus cash allows for the use of equity securities, fixed income securities, and alternative investments, such as real estate and hedge fund investments. The target asset allocation policy approved by the Board on February 11, 2015, consists of a 25% allocation to publicly traded U.S. equity securities, a 15% allocation to publicly traded international equity securities, a 30% allocation to fixed income securities, primarily U.S. based and intended to be of similar risk exposure to the Barclays U.S. Aggregate Bond Index, a 10% allocation to short-duration fixed income securities, primarily U.S. based and intended to be of similar risk exposure to the Barclays 1-3 Year Government Credit Index, and a 20% allocation to alternative investments inclusive of hedge fund and real estate investment strategies. The alternative investment portfolio is diversified across 19 investment managers to mitigate the impact of any one individual manager, whereas the equity portfolio consists of eight investment managers, and the fixed income portfolio consists of four investment managers.

The actual asset allocation as of June 30, 2016 varies marginally from the target allocation. The asset allocation as of June 30, 2016 consisted of the following: 26% allocation to publicly traded U.S. equity securities, a 15% allocation to publicly traded international equity securities, a 31% allocation to fixed income securities, primarily U.S. based and intended to be of similar risk exposure to the Barclays U.S. Aggregate Bond Index, a 10% allocation to short-duration fixed income securities, primarily U.S. based and intended to be of similar risk exposure to the Barclays 1-3 Year Government Credit Index, and an 18% allocation to alternative investments inclusive of hedge fund and real estate investment strategies.

The investment of surplus cash may incorporate the use of both active and passive strategies and separate account, mutual fund, and commingled fund vehicles within equity and fixed income strategies. Although most strategies within the equity and fixed income strategies are subject to daily liquidity, the least liquid of the investment vehicles allow for monthly liquidity.

The market value of the Corporation's investments may continue to experience volatility in the future due to continued changing market conditions.

OTHER INFORMATION

Employees

As of June 30, 2016, the Corporation had 3,279 employees, certain of which are represented by bargaining units as noted below:

Labor Relations

<u>Labor Organization</u>	<u>Number of Employees In Organization</u>	<u>Contract Expiration Date</u>
Professional Resources for Nurses	1,261	[August 2016]
United Healthcare Workers West, Local 750	1,281	June 2017
International Union of Operating Engineers, Stationary Engineers	39	[October 2016]

The Corporation and Professional Resources for Nurses, have agreed to begin negotiations in [August 2016] for a new contract to replace or extend the one scheduled to expire on [August 31, 2016]. The Corporation expects to complete negotiations in early/mid/ late [month] and to have a ratified contract in place prior to _____, 2016. The Corporation and International Union of Operating Engineers, Stationary Engineers, have agreed to begin negotiations in [August 2016] for a new contract to replace or extend the one scheduled to expire on [October __, 2016]. The Corporation expects to complete negotiations in early/mid/ late [month] and to have a ratified contract in place prior to _____, 2016. [BDV: Need Update]

Employee Benefit Plans

The Hospital sponsors a cash-balance pension plan (the “Plan”), which has been in effect since January 1, 1995. The Plan covers employees who are 21 years of age and have completed one year of credited service. Participants are entitled to a lump-sum distribution or monthly benefits at age 65 based on a predetermined formula that considers years of service and compensation. Effective July 1, 1999, employer contributions to the Plan are calculated as 5% of a participant’s annual plan compensation, and the annual interest is an indexed rate based on the return on ten-year U.S. treasury securities. Participants are fully vested in their account balances after three pension years.

Certain retired and terminated employees and certain participants covered by a collective bargaining agreement continue to participate under provisions of a defined-benefit formula in effect prior to January 1, 1995.

Components of pension activity (in thousands) for fiscal years 2014 through 2016 consist of the following:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Pension expense	\$8,767	\$7,193	9,272
Employer contributions	12,000	14,400	10,800
Benefits paid	9,316	9,982	11,252

Eligible employees of the Hospital may also elect to participate in a separate deferred compensation plan (the “403(b) plan”) pursuant to Section 403(b) of the Code. The Hospital acts as the administrator and sponsor, and the 403(b) plan’s assets are held by trustees designated by the Hospital’s

management. Employees are eligible to participate upon employment, and participants are immediately vested in their elective contributions plus actual earnings thereon. The Hospital will match employee contributions to the 403(b) plan, subject to a maximum of 4% to 6% based on longevity of each participant's annual plan compensation. Participants are eligible for employer match in the second plan year in which they work at least 1,000 hours, and they must be on the payroll at the end of the plan year (December 31) and be at least 21 years of age. Employer matching contributions under the 403(b) plan are made directly into the employee's established account at the investments provider. Employer matching contributions to the 403(b) plan of \$9,853,277, \$9,182,941, and \$8,167,000 in fiscal years 2016, 2015, and 2014, respectively, are included in [pension expense?] benefits expense.

Post-Retirement Medical Benefits

The Hospital provides health care benefits and life insurance for certain retired employees who meet eligibility requirements. Employees hired on or before July 1, 1994 are eligible for health coverage upon retirement after attaining age 55 with 20 or more years of service and enrolled in one of the health plans for 20 or more years. Eligibility for retiree life insurance is age 55 with 20 or more years of service.

If a participant terminates from the Hospital after 20 years of service but prior to reaching age 62, they can choose to contribute to the Plan between ages 55 and 61 to retain the Plan's health benefits.

Employees who retired January 1, 1993 or before are covered under the El Camino Hospital District Plan (not part of this valuation).

Benefits are funded by the Hospital on a pay-as-you-go basis. As of June 30, 2015, approximately 621 employees and former employees and dependents were or could become eligible to participate in the plan.

The net period postretirement benefit activity (in thousands) for fiscal years 2014 through 2016 included the following components:

	2014	2015	2016
Benefit expense (Annual OPEB Cost)	\$1,420	\$1,432	\$1,652
Employer contributions	526	525	592
Plan participants' contributions	335	286	223
Benefits paid	861	811	815

As of June 30, 2016, the postretirement benefit obligation (Net OPEB Obligation) in connection with such benefits was approximately \$18,256,000. As of July 1, 2015, the most recent actuarial valuation date, the unfunded actuarial accrued liability of these benefits was \$25,665,000.

Insurance Plans

Professional, general, automobile, and directors and officers liability insurance for the District and its Affiliates is purchased from BETA Health Care Group ("BHG"). BHG was formed in 1979 for the purpose of operating a self-insurance program for the above insurance coverage for certain hospital districts of the Association of California Hospital Districts ("ACHD"). Effective October 1, 1989, BHG became a separate joint powers authority, establishing itself as a public agency distinct from ACHD. BHG is managed by a board of 16 representatives, 14 of whom are elected by the members.

Other insurance needs of the District and its Affiliates are brokered by Driver-Alliant Insurance Services (“Driver-Alliant”). This relationship was developed by BHG. Through Driver-Alliant, the District purchases its all-risk property insurance (including limited flood), cyber-security, fiduciary, crime and excess workers’ compensation coverage. Given the high costs and high deductible of acquiring earthquake insurance, the District has developed a board-designated self-funded earthquake “catastrophic fund.” The fair market value of this fund was \$13,614,000, \$14,149,000 and \$14,125,000 at June 30, 2014, 2015 and 2016, respectively.

The Corporation is self-funded for its workers compensation and has been issued by the State of California, Department of Industrial Relations, a Certificate of Consent to Self-Insure. The Corporation purchases excess workers’ compensation insurance coverage.

Litigation

No litigation is pending or threatened concerning the validity of the Bonds. The Corporation is not aware of any litigation pending or threatened questioning the existence of the Corporation or contesting the Corporation’s ability to receive or to collect revenues or contesting the Corporation’s ability to borrow the proceeds of the Bonds and make loan payments to retire the Bonds.

From time to time there are lawsuits and claims pending against the Corporation, the District or the other Affiliates. In the opinion of the Corporation, the aggregate amount of the uninsured liabilities of the Corporation under these lawsuits and claims will not materially adversely affect the operations of the Corporation.

Regulatory Environment

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers.

The Corporation is subject to routine surveys, inquiries and reviews by federal, state and local regulatory authorities. Management continually works in a timely manner to implement operational changes and procedures to address all corrective action requests from regulatory authorities. Breaches of these laws and regulations and non-compliance with survey corrective action requests could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Att. 06 09 DRAFT Continuing Disclosure Agreement

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the El Camino Hospital (the “Corporation”) on its own behalf and on behalf of any other Members of the Obligated Group (as such terms are defined in the Master Indenture described below) and BLX Group LLC, in its capacity as dissemination agent hereunder (the “Dissemination Agent”), in connection with the issuance of \$_____ aggregate principal amount of the California Health Facilities Financing Authority Revenue Bonds (El Camino Hospital) Series 2016 (the “Bonds”). The Bonds are being issued pursuant to a bond indenture, dated as of November 1, 2016 (the “Indenture”), between the California Health Facilities Financing Authority (the “Authority”) and Wells Fargo Bank, National Association, in its capacity as trustee (the “Trustee”). The proceeds of the Bonds are being loaned by the Authority to the Corporation pursuant to a loan agreement, dated as of November 1, 2016 (the “Loan Agreement”), between the Authority and the Corporation. The obligations of the Corporation under the Loan Agreement are secured by payments made by Members of the Obligated Group (the “Members”) on Obligation No. 6, issued by the Obligated Group under the Master Trust Indenture, dated as of March 1, 2007, as supplemented and amended (the “Master Indenture”), among the Corporation, any future Members named therein and Wells Fargo Bank, National Association, as master trustee. Pursuant to the Loan Agreement, the Corporation, on its own behalf and on behalf of the other Members, and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Corporation and the Trustee for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined below). The Corporation and the Trustee acknowledge that the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Holder or Beneficial Owner of the Bonds, with respect to the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Corporation pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Disclosure Representative” shall mean the Chief Financial Officer of the Corporation or her or his designee, or such other person as the Corporation shall designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean BLX Group LLC, in its capacity as dissemination agent hereunder, or any successor Dissemination Agent designated in writing by the Corporation and which has filed with the Trustee a written acceptance of such designation.

“Holders” shall mean registered owners of the Bonds.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“Official Statement” shall mean the Official Statement relating to the Bonds, dated October __, 2016.

“Participating Underwriter” shall mean Citigroup Global Markets Inc., as original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Quarterly Report” shall mean any Quarterly Report provided by the Corporation pursuant to, and as described in, Section 3 of this Disclosure Agreement.

“Repository” shall mean the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

SECTION 3. Provision of Quarterly and Annual Reports.

(a) The Corporation shall, or, upon delivery of the Annual Report to the Dissemination Agent, shall cause the Dissemination Agent to, not later than six months after the end of the Corporation’s fiscal year (presently ending June 30), commencing with the report for the fiscal year ending June 30, 2016, provide to the Dissemination Agent and the Trustee for submission to the Repository, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents constituting a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if such audited financial statements are not available by that date. If the Corporation’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

(b) In addition to the Annual Report required to be filed pursuant to Section 3(a), the Corporation shall, or shall cause the Dissemination Agent to, provide to the Repository, not later than 60 days after the end of each of the first three quarters of the Corporation’s fiscal year, beginning with the fiscal quarter ended September 30, 2016, (i) unaudited financial information for the Corporation and its affiliates for such fiscal quarter prepared by the Corporation, including a balance sheet and a combined statement of operations and changes in net assets, and an update (as of the last day of the most recently ended fiscal quarter) of the information contained in the table set forth under the caption “SELECTED UTILIZATION AND FINANCIAL INFORMATION – Historical Utilization” in Appendix A to the Official Statement, (ii) the total principal amount of outstanding fixed interest rate long-term debt and variable interest rate long-term debt of the Obligated Group outstanding as of the end of the subject fiscal quarter, and (iii) whether and to what extent any Member of the Obligated Group has granted a Lien on its Property as permitted under the Master Indenture during the subject quarter, such information being referred to herein collectively as a “Quarterly Report.”

(c) Not later than thirty (30) days (nor more than sixty (60) days) prior to the date specified in Section 3(a) for providing the Annual Report, and not later than fourteen (14) days (nor more than thirty (30) days) prior to the dates specified in Section 3(b) for providing the quarterly reports, to the

Repository, the Dissemination Agent shall give notice to the Corporation that the Annual Report or the quarterly report, respectively, shall be required to be filed in accordance with the terms of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to the date specified in Section 3(a) for providing the Annual Report, the Corporation shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). Not later than three (3) Business Days prior to the dates specified in Section 3(b) for providing the quarterly reports, the Corporation shall provide the quarterly reports in a format suitable for reporting to the Repository to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If the Corporation is unable to provide to the Dissemination Agent and the Trustee, and the Dissemination Agent and the Trustee are thereby unable to provide to the Repository an Annual Report or a quarterly report by the respective date required in Section 3(a) or Section 3(b), the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent) together with the Corporation shall send a notice to the Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall certify to the Corporation and the Authority, in writing that the Annual Report has been provided pursuant to this Disclosure Agreement, and stating the date it was provided to the Repository.

SECTION 4. Content of Annual Reports. The Corporation's Annual Report shall contain or include by reference the following:

(a) The audited consolidated financial statements of each Obligated Group Member for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Governmental Accounting Standards Board (which may be consolidated with non-obligated entities if required by generally accepted accounting principles, provided that in such case, consolidating schedules shall be included with the financial statements). If the Obligated Group's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement (defined below), and the audited combined financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Updates (as of the last day of the most recently ended fiscal year of the Obligated Group) of the following information contained in Appendix A to the Official Statement:

- (i) a list of current Obligated Group Members (as defined in the Master Indenture) as of the end of the most recently completed fiscal year.
- (ii) the information under the caption "HOSPITAL FACILITIES AND SERVICES—Bed Distribution" for the facilities of the current Obligated Group Members for the most recently completed fiscal year.
- (iii) the total number of the medical staff at the Corporation and any other Obligated Group Member's facilities for the most recently completed fiscal year.
- (iv) the information contained in the table under the caption "PHYSICIANS AND EMPLOYEES—Medical Staff—Leading Admitters" for the most recently completed fiscal year.
- (v) the information contained in the table under the caption "SELECTED UTILIZATION AND FINANCIAL INFORMATION—Historical Utilization" for the most recently completed fiscal year.

- (vi) the information contained in the table under the caption “SELECTED UTILIZATION AND FINANCIAL INFORMATION—Sources of Patient Services Revenue” for the most recently completed fiscal year.
- (vii) the information contained in the table entitled “Capitalization” under the caption “SELECTED UTILIZATION AND FINANCIAL INFORMATION—Capitalization” for the most recently completed fiscal year.
- (viii) the information contained in the table entitled “Debt Service Coverage Ratio” under the caption “SELECTED UTILIZATION AND FINANCIAL INFORMATION—Debt Service Coverage” for the most recently completed fiscal year.
- (ix) the information contained in the table under the caption “SELECTED UTILIZATION AND FINANCIAL INFORMATION—Liquidity and Capital Resources—Days Cash on Hand” for the most recently completed fiscal year.
- (x) the number of full-time equivalent employees of the Obligated Group for the most recently completed fiscal year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Corporation is an “obligated person” (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Corporation shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Corporation shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

- 1. principal and interest payment delinquencies.
- 2. tender offers.
- 3. defeasances.
- 4. rating changes.
- 5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
- 6. unscheduled draws on the debt service reserves reflecting financial difficulties.
- 7. unscheduled draws on credit enhancement reflecting financial difficulties.
- 8. substitution of the credit or liquidity providers or their failure to perform.
- 9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the Corporation. For the purposes of the event identified in this Section 5(a)(9), the

event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Corporation in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Corporation, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Corporation.

(b) Pursuant to the provisions of this Section 5, the Corporation shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.
2. modifications to rights of Bondholders.
3. optional, contingent or unscheduled bond calls.
4. unless described under Section 5(a)(5) above, adverse tax opinions, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
5. release, substitution or sale of property securing repayment of the Bonds.
6. the consummation of a merger, consolidation, or acquisition involving the Corporation or the sale of all or substantially all of the assets of the Corporation, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
7. Appointment of a successor or additional Trustee with respect to the Bonds or the change of name of such a Trustee.

(c) The Trustee shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of a Listed Event under Section 5(b) hereof, contact the Disclosure Representative, inform such person of the event, and request that the Corporation promptly notify the Trustee in writing whether or not to report the event pursuant hereto.

(d) Whenever the Corporation obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the Corporation shall (i) as soon as possible determine if such event would be material under applicable federal securities laws, (ii) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event, or (iii) provide notice of such reportable event to the Dissemination Agent and the Trustee in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event.

(e) If in response to a request under Section 5(c), the Corporation determines that the Listed Event would not be material under applicable federal securities laws, the Corporation shall so notify the Dissemination Agent and the Trustee in writing and instruct the Dissemination Agent not to report the occurrence pursuant to Section 5(d).

(g) The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the Corporation's determination of materiality pursuant to Sections 5(d) and 5(e).

SECTION 6. Termination of Reporting Obligation. The Corporation's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Corporation's obligations under the Loan Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Corporation and the Corporation shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the Corporation shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5(d).

SECTION 7. Dissemination Agent. The Corporation may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the Corporation and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Corporation and shall have no duty to review any information provided to it by the Corporation. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Corporation in a timely manner and in a form suitable for filing. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Corporation and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Corporation) and any provision of this Disclosure Agreement may be waived, provided the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in each Indenture for amendments to such Indenture with the consent of Holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Corporation shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Corporation. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(d), and (ii) the Annual Report for the year in which the change is made

shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Corporation from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Corporation chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Corporation shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Corporation, the Trustee or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% in aggregate principal amount of Outstanding Bonds, shall), or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Corporation, the Trustee or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture or the Loan Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Corporation, the Trustee or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

No Holder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Corporation, the Trustee and the Dissemination Agent satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and Corporation, the Trustee or the Dissemination Agent, as the case may be, shall have refused to comply therewith within a reasonable time.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent (if other than the Trustee) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Corporation agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent (if other than the Trustee) shall be paid compensation by the Corporation for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by such Dissemination Agent in the performance of its duties hereunder. In performing its duties hereunder, the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Corporation, the Holders, or any other party. The obligations of the Corporation under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

The Dissemination Agent may conclusively rely upon the Annual Report provided to it by the Corporation as constituting the Annual Report required of the Corporation in accordance with this Disclosure Agreement and shall have no duty or obligation to review such Annual Report. The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent

be responsible for filing any Annual Report not provided to it by the Corporation in a timely manner in a form suitable for filing with the Repository. No provision of this Disclosure Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Corporation, the Authority, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Notices. Any notices or communications required or permitted to be given pursuant to this Disclosure Agreement shall be in writing mailed, sent by telecopy/facsimile or other direct written electronic means, including, without limitation, email, receipt of which shall be confirmed, or delivered as set forth below:

To the Corporation:

El Camino Hospital
2500 Grant Road
Mountain View, California 94039
Attention: Chief Financial Officer
Fax: (650) 940-7261

To the Trustee:

Wells Fargo Bank, National Association
707 Wilshire Boulevard, 17th Floor
Los Angeles, California 90017
Attention: Corporate Trust Department
Fax: (213) 614-3355

To the Dissemination Agent:

BLX Group LLC
Attn: Jeff Higgins
777 South Figueroa St. Suite 3200
Los Angeles, California 90017
e-mail: jhiggins@blxgroup.com

To the Authority:

California Health Facilities Financing Authority
915 Capitol Mall, Room 590
Sacramento, California 95814
Attention: Executive Director
Fax: (916) 654-5362

SECTION 14. Format for Filings. Any notice, report or filing with the Repository pursuant to this Disclosure Agreement must be submitted in electronic format, in word-searchable pdf format, accompanied by such identifying information as is prescribed by the Repository. Until otherwise designated by the Repository or the Securities Exchange Commission, filings with the Repository are to be made through the Electronic Municipal Market Access website of the Municipal Securities Rulemaking Board, currently located at <http://emma.msrb.org>.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: November __, 2016

EL CAMINO HOSPITAL

By: _____
Chief Financial Officer

BLX GROUP LLC, as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE [ANNUAL / QUARTERLY] REPORT

Name of Corporation: El Camino Hospital

Name of Bond Issue: \$_____ California Health Facilities Financing Authority
Revenue Bonds (El Camino Hospital) Series 2016

Dissemination Agent: BLX Group LLC

Date of Delivery: November __, 2016

NOTICE IS HEREBY GIVEN that the Corporation has not provided [an Annual] [a Quarterly] Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement executed by the Corporation on the date of delivery of the Bonds. The Corporation anticipates that the [Annual] [Quarterly] Report will be filed by _____.

Dated: _____

EL CAMINO HOSPITAL

By: [form only; no signature required]_____

Att. 06 10 DRAFT Bond Purchase Contract

\$ _____

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
REVENUE BONDS
(EL CAMINO HOSPITAL)
SERIES 2016**

PURCHASE CONTRACT

October __, 2016

California Health Facilities Financing Authority
915 Capitol Mall, Suite 435
Sacramento, California 95814

Treasurer of the State of California
915 Capitol Mall, Suite 261
Sacramento, California 95814

Ladies and Gentlemen:

The undersigned, Citigroup Global Markets Inc. (the “Underwriter”), offers to enter into this purchase contract (this purchase contract, together with the letter of representations attached hereto as Exhibit B (the “Letter of Representations”), referred to herein as the “Purchase Contract”) with the California Health Facilities Financing Authority (the “Authority”) and the Treasurer of the State of California, as agent for sale (the “Treasurer”), and approved by El Camino Hospital (the “Corporation”). Upon acceptance hereof and approval by the Corporation, this offer will become binding upon the Authority, the Treasurer, the Corporation, and the Underwriter. This offer is made subject to the Authority’s and the Treasurer’s acceptance by delivery of an executed counterpart hereof at or prior to 11:59 p.m., Pacific Daylight Time, on this date or on such later date as shall have been consented to by the parties hereto with the approval of the Corporation. Capitalized terms not otherwise defined herein have the meanings ascribed to such terms in the Bond Indenture dated as of November 1, 2016 (the “Indenture”), between the Authority and Wells Fargo Bank, National Association, as trustee (in such capacity, the “Trustee”), or if not defined therein, in the Loan Agreement between the Authority and the Corporation, dated as of November 1, 2016 (the “Loan Agreement”).

1. Purchase, Sale and Delivery of the Bonds.

(a) Upon the basis of the representations, warranties and agreements herein set forth and subject to the terms and conditions contained herein and in the Letter of Representations, dated the date hereof, executed and delivered by the Corporation and attached hereto as Exhibit B, the Underwriter hereby agrees to purchase from the Treasurer on behalf of the Authority, and the Treasurer on behalf of the Authority hereby agrees to sell to the Underwriter, all (but not less than all) of the \$_____ aggregate principal amount of the California Health Facilities Financing Authority Revenue Bonds (El Camino Hospital) Series 2016 (the “Bonds”). The Bonds will be dated as of their date of issuance and will mature on the dates and in the principal amounts, bear interest at the rates, and be subject to redemption as set forth in Exhibit A hereto. The Underwriter will purchase the Bonds at the Closing (as defined below) at an aggregate price of \$_____.

being the principal amount of the Bonds of \$_____, plus aggregate original issue premium of \$_____, less an underwriter's discount of \$_____.

The Authority approved the issuance of the Bonds pursuant to a resolution adopted on _____, 2016 (the "Authority Resolution"). The Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable as provided, in the Indenture, substantially in the form previously submitted to the Underwriter, with only such changes therein as shall be mutually agreed upon by the Underwriter, the Authority and the Corporation. The Authority will loan the proceeds of the Bonds to the Corporation pursuant to the terms of the Loan Agreement. The Bonds shall be limited obligations of the Authority payable from payments made by the Corporation under the Loan Agreement from amounts held in certain funds established pursuant to the Indenture and from payments on Obligation No. 6 by the Obligated Group Members (as defined below), subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Bonds shall be further secured by an assignment of the right, title and interest of the Authority in the Loan Agreement and in Obligation No. 6, to the extent and as more particularly described in the Indenture.

The proceeds of the Bonds will be used (i) to finance certain capital expenditures at facilities owned or operated by the Corporation (the "Project"); (ii) to fund capitalized interest on the Bonds; and (iii) to pay costs of issuance (including the Underwriter's fee) with respect to the Bonds.

The Corporation shall execute and deliver to the Trustee on the Closing Date (as defined below) Obligation No. 6 ("Obligation No. 6") issued under the Master Trust Indenture, dated as of March 1, 2007, as amended and supplemented to date (the "Master Indenture"), between the Corporation and any future Members of the Obligated Group (collectively, the "Obligated Group Members," the "Members," or the "Obligated Group") and Wells Fargo Bank, National Association, as master trustee (in such capacity, the "Master Trustee"), and the Supplemental Master Indenture for Obligation No. 6, dated as of November 1, 2016, by and between the Corporation and the Master Trustee ("Supplement No. 6"). The Corporation will initially be the sole Member of the Obligated Group. Obligation No. 6 will evidence the obligation of the Members of the Obligated Group with respect to the Corporation's payment obligation under the Loan Agreement. The obligation to make payments on Obligation No. 6 will constitute the joint and several obligations of the Obligated Group pursuant to the terms of the Master Indenture.

The Corporation will undertake, pursuant to the Loan Agreement and a Continuing Disclosure Agreement, to be dated the Closing Date (the "Continuing Disclosure Agreement"), between the Corporation and the Trustee, to provide annual and quarterly reports (for first three fiscal quarters only) and notices of certain events relating to the Bonds. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement (each defined below).

(b) The Authority has cooperated in the preparation and delivery to the Underwriter of the Preliminary Official Statement, dated October __, 2016, relating to the Bonds (the "Preliminary Official Statement"), and the Authority represents and warrants that the information contained in the Official Statement (defined below) under the captions "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION—The Authority" was deemed to be final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for any information permitted to be omitted therefrom by Rule 15c2-12. The Authority will cooperate in the preparation and delivery to the Underwriter of a final Official Statement relating to the Bonds, dated the date hereof, substantially in the form of the Preliminary Official Statement, and any amendments or supplements thereto that shall be approved by the Underwriter (as so amended and supplemented, the "Official Statement"). The Authority hereby ratifies, confirms and approves of the

distribution by the Underwriter of the Preliminary Official Statement, the Official Statement, the Indenture and Loan Agreement in connection with the offer and sale of the Bonds.

(c) At 9:00 a.m., Pacific Daylight Time, on November __, 2016 or at such other time or on such earlier or later date as mutually agreed upon by the Underwriter, the Treasurer, and the Authority and approved by the Corporation (the “Closing Date”), the Authority will deliver or cause to be delivered to or in care of The Depository Trust Company (“DTC”) for the account of the Underwriter in New York, New York, or at such other place as we may mutually agree upon, the Bonds in book-entry form, bearing proper CUSIP numbers, duly executed and authenticated, and at the offices of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”) in [San Francisco], California the other documents hereinafter mentioned; and, subject to the conditions of this Purchase Contract, the Underwriter will accept such delivery and pay the purchase price thereof as set forth in paragraph (a) of this Section by wiring funds (which payment in any event shall be in immediately available funds) payable to the order of the Trustee (such delivery and payment being herein referred to as the “Closing”). Upon initial issuance, the ownership of the Bonds will be registered in the name of Cede & Co., as nominee of DTC, and will be in the form of a separate single fully-registered Bond for each maturity [bearing interest at a particular rate]. The Bonds will be made available for inspection at the office of Bond Counsel at least one (1) business day prior to the Closing.

(d) The Underwriter has entered into this Purchase Contract in reliance upon the representations and warranties of the Authority contained herein, the representations and warranties of the Corporation contained in the Letter of Representations and to be contained in the Loan Agreement, the certificates of the Authority, the Corporation, the Trustee and others to be delivered pursuant hereto and to the Loan Agreement, and the opinions of Bond Counsel, counsel to the Trustee and counsel to the Corporation required to be delivered hereby and by the Loan Agreement.

(e) Not later than 10 calendar days after the Closing Date, the Underwriter shall submit to the Authority the report referenced by Section 1899.532 of Subchapter 4 of Chapter 4, Division 2 of Title 2 of the California Code of Regulations.

2. Representations and Agreements of the Authority.

The Authority represents and agrees with the Underwriter and the Corporation that:

(a) The Authority is and will be at the Closing Date duly organized and existing under the laws of the State of California, has full power and authority to issue the Bonds, to adopt the Authority Resolution, to enter into the Indenture, the Loan Agreement, the Tax Certificate and Agreement dated the Closing Date relating to the Bonds (the “Tax Agreement”), and this Purchase Contract and to perform its obligations under the Indenture, the Loan Agreement, the Tax Agreement, and this Purchase Contract, and when executed and delivered by the respective parties thereto, the Indenture, the Loan Agreement, the Tax Agreement, and this Purchase Contract will constitute the legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws related to or affecting creditors’ rights generally and by the application of equitable principles as the court having jurisdiction may impose, regardless of whether such proceeding is considered in a proceeding in equity or law, and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in California;

(b) When delivered to and paid for by the Underwriter at the Closing in accordance with the provisions of this Purchase Contract and assuming proper authentication by the Trustee by the

manual signature of an authorized officer thereof, the Bonds will have been duly authorized, executed, issued and delivered and will constitute valid and binding limited obligations of the Authority, enforceable in accordance with their terms, in conformity with, and entitled to the benefit and security of the Indenture;

(c) By official action of the Authority prior to or concurrently with the acceptance hereof, the Authority has duly authorized and approved the distribution of the Preliminary Official Statement, the execution and distribution of the Official Statement, and duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part, if any, contained in the Bonds and the Indenture, the Loan Agreement, the Tax Agreement and this Purchase Contract and the consummation by the Authority of all other transactions contemplated by the Official Statement, and this Purchase Contract;

(d) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending (with service of process against the Authority having been accomplished) or known to the Authority to be threatened against the Authority seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting any proceedings of the Authority taken concerning the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, in any way contesting the validity or enforceability of the Bonds or the Indenture, the Loan Agreement, the Tax Agreement, or this Purchase Contract or contesting in any way the completeness or accuracy of the information in the Preliminary Official Statement or the Official Statement under the captions “THE AUTHORITY” or “ABSENCE OF MATERIAL LITIGATION—The Authority,” as amended or supplemented, or the existence or powers of the Authority relating to the issuance of the Bonds;

(e) As of the date thereof and as of the date hereof, the statements and information contained in the Preliminary Official Statement under the caption “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION—The Authority” were and will be true and correct in all material respects, and did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements and information therein, in light of the circumstances under which they were made, not misleading;

(f) Both at the time of acceptance hereof by the Authority and at the Closing Date, the statements and information contained in the Official Statement under the captions “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION—The Authority” are and will be true and correct in all material respects, and do not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such statements and information therein, in the light of the circumstances under which they were made, not misleading; it being further understood that no such representation, warranty or agreement shall apply to statements or information in or omissions from the Official Statement with respect to which the Corporation agrees to indemnify the Authority, the Treasurer, and the Underwriter pursuant to the Letter of Representations of the Corporation dated the date hereof and attached hereto as Exhibit B;

(g) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter, at the expense of the Corporation, as the Underwriter may reasonably request in endeavoring (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and subject to the provisions of Section 5, will use its best efforts to continue such qualification in effect so long as required for distribution of the Bonds;

provided, however, that in no event shall the Authority be required to take any action which would subject it to general or unlimited service of process in any jurisdiction in which it is not now so subject;

(h) The execution and delivery by the Authority of the Bonds, the Indenture, the Loan Agreement, the Tax Agreement, and this Purchase Contract, and compliance with the provisions on the Authority's part contained herein and therein will not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any material law, administrative regulation, court order, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or by which it is bound, which breach or default would have a material adverse effect on the Authority's ability to perform its obligations under the Indenture, the Loan Agreement, the Tax Agreement, and this Purchase Contract;

(i) The Authority is not in breach of or in default under any applicable material law or administrative regulation of the State of California or the United States or any applicable material judgment or decree or any material loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, which breach or default would have a material adverse effect on the Authority's ability to perform its obligations under the Indenture, the Loan Agreement, the Tax Agreement, and this Purchase Contract, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a breach of or a default or an event of default under any such instrument which breach or default would have a material adverse effect on the Authority's ability to perform its obligations under the Indenture, the Loan Agreement, the Tax Agreement, or this Purchase Contract;

(j) If, between the date of this Purchase Contract and 25 days after the end of the underwriting period (as such term is defined in Rule 15c2-12), (i) an event occurs of which the Authority has knowledge, which might or would cause the information contained in the Official Statement under the captions "THE AUTHORITY" or "ABSENCE OF MATERIAL LITIGATION—The Authority," as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading or, (ii) if the Authority is notified by the Corporation pursuant to the provisions of the Letter of Representations or otherwise requested to amend, supplement or otherwise change the Official Statement, the Authority will notify the Underwriter and the Corporation, and if in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will participate in the amendment or supplement in a form and in a manner approved by the Underwriter and counsel to the Authority, provided that all expenses thereby incurred will be paid by the Corporation and provided further that, for purposes of this provision, the end of the underwriting period shall be the Closing Date unless the Underwriter provides written notice to the contrary to the Authority and the Corporation on the date of Closing;

(k) For 25 days from the end of the underwriting period (as defined in Rule 15c2-12), (a) the Authority will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter or the Corporation shall reasonably object in writing or which shall be disapproved by their respective counsel and (b) if any event relating to or affecting the Authority shall occur as a result of which it is necessary, in the opinion of counsel for the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, the Authority will forthwith prepare and furnish to the Underwriter and the Corporation (at the expense of the Corporation) in the electronic format

designated by the MSRB an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriter and counsel for the Authority) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading. For purposes of this subsection, the Authority will furnish such information with respect to itself as the Underwriter may from time to time reasonably request; and

(l) The execution and delivery of this Purchase Contract by the Authority shall constitute a representation by the Authority to the Underwriter that the representations and agreements contained in this Section 2 are true as of the date hereof; provided that as to information furnished by the Corporation pursuant to this Purchase Contract and the Letter of Representations or otherwise and in the Preliminary Official Statement and the Official Statement, the Authority is relying on such information in making the Authority's representations, warranties and agreements; and as to all matters of law, other than federal tax and securities laws, the Authority is relying on the advice of counsel to the Authority; and as to matters of federal tax law and securities laws, the Authority is relying on the advice of Bond Counsel; and provided further that no officer, agent or employee or member of the governing body of the Authority shall be individually liable for the breach of any representation or agreement contained herein.

3. Conditions to the Obligations of the Underwriter.

The obligation of the Underwriter to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations and agreements on the part of the Authority contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the Authority made in any certificates or other documents furnished pursuant to the provisions hereof, and to the performance by the Authority of its obligations to be performed hereunder at or prior to the Closing Date and to the following additional conditions:

(a) The representations and warranties of the Corporation contained in the Letter of Representations shall be true and correct in all material respects at the date hereof and at and as of the Closing Date, as if made at and as of the Closing Date and will be confirmed by a certificate or certificates of the appropriate Corporation officer or officers dated the Closing Date and the Corporation shall be in compliance with each of the warranties, agreements, and covenants made by it in and documents furnished pursuant to the provisions hereof.

(b) At the time of Closing, the Indenture, the Loan Agreement, the Master Indenture, Supplement No. 6, Obligation No. 6, the Continuing Disclosure Agreement, the Tax Agreement, the Letter of Representations, and this Purchase Contract (collectively, the "Documents") shall be in full force and effect as valid, binding and enforceable agreements between or among the various parties thereto, and the Master Trust Indenture, the Purchase Contract, and the Letter of Representations shall not have been amended, modified or supplemented, except as described herein or as may otherwise have been agreed to in writing by the Underwriter, and there shall have been taken in connection with the issuance of the Bonds and with the transactions contemplated thereby and by this Purchase Contract, all such actions as, in the opinion of Bond Counsel or the Underwriter's counsel, shall be necessary or appropriate;

(c) At the Closing Date, the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to by the Underwriter.

(d) Between the date hereof and the Closing Date, none of the following shall have occurred:

(i) legislation shall be introduced in, enacted by, reported out of committee, or recommended for passage by either House of the Congress or the legislature of the State of California or recommended for passage or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States by or on behalf of any agency, commission or instrumentality of the State of California or the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation is proposed for consideration by either such committee by any member thereof or presented as an option for consideration by either such committee by the staff or such committee or by the staff of the Joint Committee on Taxation of the Congress of the United States, or a bill to amend the Internal Revenue Code of 1986, as amended (the “Code”) (which, if enacted, would be effective as of a date prior to the Closing) shall be filed in either House, or a decision by a court of competent jurisdiction shall be rendered, or a regulation or filing shall be issued or proposed by or on behalf of the Department of the Treasury or the Internal Revenue Service of the United States, or other agency of the federal government, or a release or official statement shall be issued by the President, the Department of the Treasury or the Internal Revenue Service of the United States, in any such case with respect to or affecting (directly or indirectly) the federal or state taxation of interest received on obligations of the general character of the Bonds which, in the reasonable judgment of the Underwriter, materially adversely affects the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Bonds;

(ii) a stop order, release, regulation, or no-action letter by or on behalf of the Securities and Exchange Commission (the “SEC”), or any other governmental agency having jurisdiction of the subject matter, shall have been issued or made to the effect that the issuance, offering, or sale of the Bonds, or any document relating to the issuance, offering or sale of the Bonds is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act of 1933, as amended (the “Securities Act”), the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”);

(iii) legislation shall be enacted or be proposed or actively considered for enactment, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation, or statement by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that the Bonds or any comparable securities of the Authority, any obligations of the general character of the Bonds are not exempt from the registration, qualification or other requirements of the Securities Act, as amended and as then in effect, or the Indenture is not exempt from the qualification requirements of the Trust Indenture Act, as amended and as then in effect;

(iv) there shall have occurred (1) an outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war; or (2) the occurrence of any other physical, economic or political calamity or crisis in the United States or elsewhere, including a downgrade of the sovereign debt rating of the United States by any major credit rating agency or payment default on United States Treasury obligations; or a default with respect to the debt obligations of, or the institution of proceedings under any federal bankruptcy laws by or against any state of the United States or any city, county or other political subdivision located in the United States having a population of over 1,000,000, if the effect of any such event specified in clause (1) or (2), in the

Underwriter's reasonable judgment, materially adversely affects the market price or marketability of the Bonds, or the market price generally of obligations of the general character of the Bonds, or the ability of the Underwriter to enforce contracts for the sale of the Bonds;

(v) trading in the Authority's outstanding securities or any securities on which the Corporation is an obligor shall have been suspended by the SEC or by the New York Stock Exchange or any other national securities exchange, or trading in securities generally on the New York Stock Exchange or any other national securities exchange shall have been suspended or limited or minimum prices shall have been established on any such exchange;

(vi) a general banking moratorium shall have been declared by federal, State of New York or State of California authorities or a major financial crisis or a material disruption in commercial banking or securities settlement or clearances services shall have occurred such as to make it, in the judgment of the Underwriter, impractical or inadvisable to proceed with the offering of the Bonds as contemplated in the Official Statement;

(vii) there shall have occurred a general suspension of trading, minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges or prices for securities shall have been required on the New York Stock Exchange or other national stock exchange whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental agency having jurisdiction or any national securities exchange shall have: (A) imposed additional material restrictions not in force as of the date hereof with respect to trading in securities generally, or to the Bonds or similar obligations; or (B) materially increased restrictions now in force with respect to the extension of credit by or the charge to the net capital requirements of underwriters or broker-dealers such as to, in the judgment of the Underwriter, materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Bonds;

(viii) an order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official or staff statement by the SEC, or any other governmental agency having jurisdiction of the subject matter, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(ix) after the date hereof, (i) Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P"), or Fitch Ratings ("Fitch") shall downgrade or suspend any rating (without regard to credit enhancement) of any debt securities issued on behalf of the Corporation, or (ii) there shall be any official statement as to a possible downgrading (such as being placed on "credit watch" or "negative outlook" or any similar qualification) of any rating by Moody's, S&P or Fitch of any debt securities issued on behalf of the Corporation, including the Bonds;

(x) subsequent to the date hereof there shall have occurred any material adverse change, or any development involving a prospective material adverse change, in or affecting particularly the business or properties of the Corporation;

(xi) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material respect any statement or

information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and, in either such event, (a) the Authority and/or the Corporation refuses to permit the Official Statement to be supplemented to supply such statement or information or (b) the effect of the Official Statement as so supplemented is, in the judgment of the Underwriter, to materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Bonds; or

(xii) any adverse event occurs with respect to the affairs of the Authority, the Corporation, the Trustee, which, in the reasonable judgment of the Underwriter, would have a material and adverse effect on the market price or marketability of the Bonds at the initial offering prices set forth in the Official Statement;

(e) At or prior to the Closing Date, the Underwriter shall have received the following materials, agreements and documents, in each case satisfactory in form and substance to the Underwriter:

(1) Each of the Documents and the Bonds and the Official Statement, duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Underwriter;

(2) An unqualified approving opinion of Bond Counsel (the “Bond Opinion”), dated the Closing Date and addressed to the Authority, substantially in the form attached to the Official Statement as Appendix D, together with reliance letters addressed to the Underwriter and the Trustee, a supplemental opinion of Bond Counsel in a form acceptable to the Authority and the Underwriter, dated the Closing Date and addressed to the Authority and the Underwriter to the effect that:

(i) the statements contained in the Official Statement under the captions entitled “THE BONDS” (excluding any and all information related to DTC and the book-entry system), “SECURITY FOR THE BONDS,” “PLAN OF FINANCE,” “TAX MATTERS,” Appendix C—“SUMMARY OF PRINCIPAL DOCUMENTS,” and Appendix D—“PROPOSED FORM OF OPINION OF BOND COUNSEL” thereof, excluding any material that may be treated as included under such captions by reference to other documents, insofar as such statements expressly summarize certain provisions of the Bonds, the Master Indenture, the Indenture, and the Loan Agreement, or the form or content of the Bond Opinion, are accurate in all material respects;

(ii) the Bonds are not subject to the registration requirements of the Securities Act, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and

(iii) this Purchase Contract has been duly executed and delivered by the Authority and is a valid and binding agreement of the Authority;

(3) An Opinion of Buchalter Nemer, a Professional Corporation, counsel to the Corporation, dated the Closing Date and addressed to the Authority, the Underwriter, the Trustee and Bond Counsel, substantially in the form attached hereto as Exhibit C;

(4) An opinion of Orrick, Herrington & Sutcliffe LLP, as disclosure counsel to the Authority (“Disclosure Counsel”), dated as of the Closing Date and addressed to the Authority and

the Underwriter, substantially to the effect that based on such counsel's participation in conferences with representatives of the Authority, the Corporation, the Underwriter and their respective counsels, accountants and others, during which conferences the contents of the Preliminary Official Statement or Official Statement and related matters were discussed, based on such counsel's participation in the above-mentioned conferences (which did not extend beyond the date of the Official Statement), and in reliance thereon, on oral and written statements and representations of the Authority and the Corporation and others and on the records, documents, certificates, opinions and matters mentioned in such opinion, subject to the limitations on such counsel's role as Disclosure Counsel, such counsel advises as a matter of fact and not opinion that (A) as of the date of this Purchase Contract, no facts had come to the attention of the attorneys in such counsel's firm rendering legal service with respect to the Preliminary Official Statement which caused such counsel to believe as of that date that the Preliminary Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (B) as of the date of the Official Statement and as of the date of Closing, no facts had come to the attention of the attorneys in such counsel's firm rendering legal service with respect to the Official Statement which caused such counsel to believe as of the date of the Official Statement and as of the date of Closing that the Official Statement contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, such counsel expressly excludes from the scope of this paragraph and expresses no view or opinion about, with respect to both the Preliminary Official Statement and the Official Statement, any CUSIP numbers, financial, accounting, statistical or economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any management discussion and analysis, Appendices B and E, or any information about book-entry, DTC, ratings, rating agencies, underwriters, underwriting, included or referred to therein or omitted therefrom and also no responsibility is undertaken or view expressed with respect to any other disclosure document, materials or activity, or as to any information from another document or source referred to by or incorporated by reference in the Preliminary Official Statement or the Official Statement;

(5) An opinion of the State Attorney General, as counsel to the Authority, dated the Closing Date and addressed to the Authority, substantially in the form attached hereto as Exhibit D-1 and a reliance letter, dated as of the Closing Date and addressed to the Underwriter, substantially in the form attached hereto as Exhibit D-2;

(6) An opinion of counsel to the Trustee, dated the Closing Date and addressed to the Authority, the Underwriter, and the Corporation substantially in the form attached hereto as Exhibit E;

(7) An opinion of and letter from Stradling Yocca Carlson & Rauth, a Professional Corporation, counsel to the Underwriter, dated the Closing Date and addressed to the Underwriter, in form and substance satisfactory to the Underwriter, which includes among other matters an opinion substantially to the effect that the Bonds are not subject to the registration requirements of the Securities Act, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;

(8) A certificate of such authorized official of the Authority as is acceptable to the Underwriter, dated the Closing Date, to the effect that:

(i) the Authority has fulfilled or performed each of its obligations contained in the Documents to which it is a party required to be fulfilled or performed by it as of the Closing Date; and

(ii) to the best of such official's knowledge, the representations and agreements made by the Authority in the Documents to which it is a party are true and correct in all material respects on the Closing Date, with the same effect as if made on and with respect to the facts as of the Closing Date;

(9) A certificate of the President and Director of the Corporation, or such other officer of the Corporation as is acceptable to the Underwriter, dated the Closing Date, to the effect that:

(i) the representations and warranties made by the Corporation in the Documents to which it is a party are true and correct as of the Closing Date, with the same effect as if made on and with respect to the facts as of the Closing Date;

(ii) since June 30, 2016, no material and adverse change has occurred in the financial condition, assets, properties or results of operation of the Corporation which is not described in the Official Statement;

(iii) the Corporation has not since June 30, 2016 offered or issued any bonds, notes or other obligations for borrowed money or incurred any material liabilities, direct or contingent, which are not described in or contemplated by the Official Statement;

(iv) the Corporation's audited Combined Financial Statements as of and for the Years Ended June 30, 2016 and 2015 and Independent Auditors' Report (copies of which, certified by Moss Adams LLP, have been furnished to the Authority and the Underwriter), present fairly, in all material respects, the financial position, activities and cash flows of the Corporation at June 30, 2016 and 2015, respectively, in conformity with generally accepted accounting principles, and since June 30, 2016, there has been no material adverse change in the assets, operations or financial condition of the Corporation other than any such change which the Corporation has disclosed in writing to the Authority and the Underwriter and that is described in the Official Statement;

(v) as of the Closing Date, the Official Statement does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (*provided that* no representation is made with respect to the information regarding the Authority, DTC and the book-entry system, or the Underwriter;

(vi) other than as described in the Official Statement, there are no actions, suits or proceedings which have been served on the Corporation or, to the knowledge of the Corporation after due inquiry, are otherwise pending or threatened against the Corporation (i) to restrain or enjoin the issuance or delivery of any of the Bonds or the collection of Revenues pledged under the Indenture or any payments to be made by the Corporation pursuant to the Loan Agreement; (ii) in any way contesting or affecting the authority for the issuance or delivery of the Bonds or the Documents or the validity when executed and delivered of the Bonds, the Documents, or the collection of Revenues pledged under the Indenture; (iii) in any way contesting the corporate existence or powers of the Corporation; (iv) which, if determined adversely to it, might materially adversely affect the consummation of the transactions contemplated by the Documents, or the ability of the Corporation to perform its obligations under the Documents, or the financial condition, assets or properties of the Corporation; or (v) contesting or affecting the Corporation's status as an organization described in Section 501(c)(3) of the Code or which would subject any income of the Corporation to federal income taxation to such extent as would result in loss of the exclusion from gross income for federal income tax purposes of interest on any of the Bonds under Section 103 of the Code;

(10) The Articles of Incorporation of the Corporation certified by the Secretary of State of the State of California, a Certificate of Good Standing issued by the Secretary of State of the State of California and a Certificate of Good Standing issued by the Franchise Tax Board of the State of California, each of recent date to the Closing;

(11) Certified copies of the Authority Resolution authorizing the execution and delivery of the Bonds, the Indenture, the Loan Agreement, the Tax Agreement, the Official Statement, and this Purchase Contract;

(12) Certified copies of the Corporation's bylaws and resolutions of its Board of Directors authorizing the execution and delivery of the Documents to which it is a party, approving the Preliminary Official Statement and the Official Statement (including the execution thereof) and authorizing the distribution of the Preliminary Official Statement and the Official Statement;

(13) Evidence that the Corporation is an organization described in Section 501(c)(3) of the Code or corresponding provisions of prior law and is exempt from taxation under California law;

(14) Evidence that the Corporation is exempt from state income and franchise taxes;

(15) The Tax Agreement duly executed by the parties thereto and an Internal Revenue Service Form 8038 executed by the Authority;

(16) A certificate of the Trustee, dated the Closing Date, substantially in the form attached hereto as Exhibit F;

(17) Evidence satisfactory to the Underwriter that (i) the Bonds shall have been rated “___” by Moody's and “___” by S&P (or such other equivalent ratings as such rating agencies may give) and (ii) that any such ratings have not been revoked or downgraded;

(18) A letter from Moss Adams LLP, dated October __, 2016, consenting to the use of its report, dated September __, 2016, in the Preliminary Official Statement and the Official Statement;

(19) A letter from Moss Adams LLP, dated October __, 2016 substantially in the form of Exhibit G hereto (the “Moss Adams Procedure Letter”);

(20) A letter from Moss Adams LLP, dated as of the Closing Date, dating down the Moss Adams Procedure Letter, in form and substance satisfactory to the Underwriter's counsel;

(21) Evidence of appropriate CEQA and project-related approvals;

(22) All filings required under State law with the California Debt and Investment Advisory Commission;

(23) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may request to evidence compliance by the Authority and the Corporation with legal requirements, the truth and accuracy, as of the Closing Date, of the representations of the Authority contained herein and of the Corporation contained in the Documents to which it is party, and the due performance or satisfaction by the Authority and the Corporation at or

prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Authority and the Corporation.

If the Authority shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Contract or if the Underwriter's obligations shall be terminated for any reason permitted herein, this Purchase Contract shall terminate, and none of the Underwriter, the Treasurer, or the Authority shall have any further obligation hereunder, except the Corporation shall be obligated with respect to all reasonable fees, expenses and costs payable to the Authority and the Treasurer pursuant to Section 5 hereof.

4. Conditions to the Obligations of the Authority.

The obligations of the Authority to issue and deliver the Bonds on the Closing Date shall be subject, at the option of the Authority, to the performance by the Underwriter of its obligations to be performed hereunder on or prior to the Closing Date and to the following additional conditions:

(a) The Documents to which the Authority is a party shall have been executed by the other parties thereto;

(b) No order, decree, injunction, ruling or regulation of any court, regulatory agency, public board or body shall have been issued nor shall any legislation have been enacted with the purpose or effect, directly or indirectly, of prohibiting the offering, sale or issuance of the Bonds as contemplated hereby or by the Official Statement;

(c) The Authority's closing fee shall have been paid by wire transfer or in other immediately available funds or arrangements reasonably satisfactory to the Authority shall have been made to pay such fees from the proceeds of the Bonds or otherwise; and

(d) The documents contemplated by Section 3(e), the forms of which are set forth herein, shall have been delivered substantially in the forms set forth herein, and the other documents contemplated by Section 3(e) (other than Section 3(e)(7)) shall have been delivered to the Authority in form and substance satisfactory to Bond Counsel, the Authority and the Underwriter.

If the conditions to the Authority's obligations or to the Underwriter's obligations contained in this Purchase Contract shall not be satisfied, or if the Underwriter's obligations shall be terminated for any reason permitted herein, this Purchase Contract shall terminate, and neither the Authority nor the Treasurer shall have any further obligation hereunder, except the Corporation shall be obligated with respect to all reasonable fees, expenses and costs payable to the Authority and the Treasurer pursuant to Section 5 hereof.

5. Expenses.

(a) All reasonable expenses and costs of the Authority and its counsel incident to the performance of its obligations in connection with the authorization, issuance and sale of the Bonds to the Underwriter, including printing costs of outside printing companies incurred in connection with printing the Bonds and preparing the Official Statement, fees and expenses of consultants, fees and expenses of rating agencies, any out-of-pocket disbursements of the Authority, the fees of Digital Assurance Certification, L.L.C. for a continuing disclosure undertaking compliance review, and fees and expenses of Bond Counsel, counsel to the Authority and counsel to the Underwriter shall be paid by the Corporation. All fees and expenses to be paid by the Corporation pursuant to this Purchase Contract may be paid from Bond proceeds to the extent permitted by the Act, the Indenture and the Tax Agreement.

(b) All out-of-pocket expenses of the Underwriter, including travel and other expenses, fees of DTC, CUSIP Service Bureau charges, California Debt and Investment Advisory Commission fees, any fees charged by the Municipal Securities Rulemaking Board and blue sky fees shall be paid by the Underwriter from the expense component of the Underwriter's discount. The Underwriter may elect to pay the fees of its counsel. The Underwriter is required to pay fees to the California Debt and Investment Advisor Commission in connection with the Bonds. The Corporation acknowledges that it has had an opportunity, in consultation with such advisors as it may deem appropriate, if any, to evaluate and consider such fees. Notwithstanding that such fees are solely the legal obligation of the Underwriter, the Corporation agrees to reimburse the Underwriter for such fees.

6. Termination.

This Purchase Contract may be terminated by the Underwriter upon written notice of such termination to the Authority and the Treasurer if any of the conditions specified herein shall not have been fulfilled by the Closing. The Underwriter may also terminate this Purchase Contract prior to the delivery of and payment for the Bonds if, subsequent to the date hereof, there shall have occurred any change, or any development involving a prospective change, in or affecting particularly the business or properties of the Corporation which, in the reasonable judgment of the Underwriter, materially impairs the investment quality of the Bonds.

The Authority may terminate this Purchase Contract upon written notice of such termination to the Underwriter if the Underwriter shall fail, by the Closing, to perform its obligations contained herein.

Any notice of termination pursuant to this Section 6 shall be given in the manner provided in Section 7 hereof. If this Purchase Contract shall be terminated as provided in the first paragraph of this Section 6, such termination shall be without liability or further obligation of the Treasurer, the Authority, the Underwriter or the Corporation except as provided in Section 5 hereof.

7. Notices.

Any notice or other communication to be given under this Purchase Contract may be given by delivering the same in writing at the following notice addresses or facsimile numbers or such other addresses or facsimile numbers as any of the following may designate in writing to the others:

If to the Authority: California Health Facilities Financing Authority
915 Capitol Mall, Room 435
Sacramento, California 95814
Attention: Executive Director
Fax: (916) 654-5362

If to the Treasurer: Treasurer of the State of California
915 Capitol Mall, Suite 261
Sacramento, California 95814
Fax: (916) 653-4042

If to the Underwriter: Citigroup Global Markets Inc.
Public Finance
444 South Flower Street, 27th Floor
Los Angeles, California 90071
Attention:
Fax: (212) 723.8939

If to the Corporation: El Camino Hospital
2500 Grant Road
Mountain View, California 94040-4378
Attention: Chief Financial Officer
Fax: (650) 940-7261

8. Limitation of Liability of the Authority and the Treasurer.

Neither the Authority nor the Treasurer shall be directly, indirectly, contingently or otherwise liable for any costs, expenses, losses, damages, claims or actions of any conceivable kind under any conceivable theory under this Purchase Contract or any document or instrument referred to herein or by reason of or in connection with this Purchase Contract or other document or instrument except to the extent it receives amounts from the Corporation available for such purpose.

9. Arms-Length Transaction.

The Treasurer, the Authority and the Underwriter acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length, commercial transaction between the Treasurer, the Authority and the Underwriter in which the Underwriter is acting solely as a principal and is not acting as an agent, advisor or fiduciary of the Treasurer or the Authority, (ii) the Underwriter has not assumed any advisory or fiduciary responsibility to the Treasurer or the Authority with respect to this Purchase Contract, the offering of the Bonds and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter, or any affiliate of the Underwriter, has provided other services or is currently providing other services to the Treasurer, the Corporation or the Authority on other matters), (iii) the only contractual obligations the Underwriter has to the Treasurer and the Authority with respect to the transactions contemplated hereby are those set forth in this Purchase Contract, (iv) the Underwriter has financial and other interests that differ from those of the Treasurer, the Corporation and the Authority, and (v) the Treasurer and the Authority have consulted with their own legal, accounting, tax, financial and other advisors, as applicable, to the extent they have deemed appropriate. Nothing in the foregoing paragraph is intended to limit the Underwriter's obligations of fair dealing under MSRB Rule G-17.

10. Governing Law.

(a) The laws of the State of California govern all matters arising out of or relating to this Purchase Contract, including, without limitation, its validity, interpretation, construction, performance, and enforcement.

(b) Any party bringing a legal action or proceeding against any other party arising out of or relating to this Purchase Contract shall bring the legal action or proceeding in the Sacramento County Superior Court, Sacramento, California, unless the Authority waives this requirement in writing. Each party agrees that the exclusive (subject to waiver as set forth herein) choice of forum set forth in this section does not prohibit the enforcement of any judgment obtained in that forum or any other appropriate forum. Each party waives, to the fullest extent permitted by law, (1) any objection which it may now or

later have to the laying of venue of any legal action or proceeding arising out of or relating to this Purchase Contract brought in the Sacramento County Superior Court, Sacramento, California, and (2) any claim that any such action or proceeding brought in such court has been brought in an inconvenient forum.

11. Miscellaneous.

This Purchase Contract is made solely for the benefit of the Treasurer, the Authority, the Corporation and the Underwriter (including the successors or assigns of the Underwriter) and no other persons, partnership, association or corporation shall acquire or have any right hereunder or by virtue hereof except as expressly provided herein. All representations and agreements of the Authority in this Purchase Contract, and all representations, warranties, and agreements made by the Corporation in its Letter of Representations or by virtue of its approval of this Purchase Contract, shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Bonds. This Purchase Contract may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute one and the same agreement. Delivery of an executed counterpart signature page to this Purchase Contract by electronic mail shall be effective as delivery of a manually executed counterpart signature page to this Purchase Contract.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Underwriter the enclosed counterparts hereof whereupon it will become a binding agreement among the Treasurer, the Authority, the Corporation and the Underwriter.

CITIGROUP GLOBAL MARKETS INC.
as underwriter

By: _____
Director

Accepted and Agreed to:

**CALIFORNIA HEALTH FACILITIES
FINANCING AUTHORITY**

By: _____
Executive Director

**TREASURER OF THE STATE OF
CALIFORNIA**

By: _____
Deputy Treasurer
For California State Treasurer John Chiang

Approved:

EL CAMINO HOSPITAL

By: _____
Chief Executive Officer

S-1

California Health Facilities Financing Authority Revenue Bonds (El Camino Hospital) Series 2016,
signature page for Purchase Contract

EXHIBIT A

TERMS OF THE BONDS

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
REVENUE BONDS
(EL CAMINO HOSPITAL)
SERIES 2016**

\$_____ Serial Bonds							
<u>Maturity</u> <u>February 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Maturity</u> <u>February 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>

\$_____ % Term Bonds due February 1, 20__ Yield _____%⁽¹⁾

\$_____ % Term Bonds due February 1, 20__ Yield _____%

⁽¹⁾ Yield to call at par on February 1, 20__.

Redemption

Optional Redemption. The Bonds maturing on or after February 1, 20__, are subject to redemption prior to their stated maturity, at the option of the Corporation (which option shall be exercised upon Request of the Corporation given to the Bond Trustee (unless waived by the Trustee in its sole discretion) at least twenty-five (25) days prior to such redemption date), from any source of available funds, as a whole or in part on any date (in such amounts and maturities as may be specified by the Corporation) on or after February 1, 20__, by lot, at a Redemption Price equal to 100% of the principal amount of Bonds called for redemption, together with interest accrued thereon (if any) to the date fixed for redemption.

Extraordinary Optional Redemption. The Bonds are subject to redemption prior to their stated maturity, at the option of the Corporation (which option shall be exercised upon Request of the Corporation given to the Trustee (unless waived by the Trustee in its sole discretion) at least twenty-five (25) days prior to the date fixed for redemption) in whole or in part (in such amounts and maturities as may be specified by the Corporation, by lot, on any date, from hazard insurance or condemnation proceeds received with respect to the facilities of any of the Members and deposited in the Special Redemption Account, at a Redemption Price equal to the principal amount thereof, together with interest accrued thereon (if any) to the date fixed for redemption, without premium.

Optional Redemption in the Event of a Change in Law. The Bonds are subject to optional redemption prior to their stated maturity, at the option of the Corporation (which option shall be exercised upon Request of the Corporation given to the Bond Trustee), as a whole (but not in part) on any date at the principal amount thereof and interest accrued thereon (if any) to the date fixed for redemption, without premium, if as a result of any changes in the Constitution of the United States of America or any state, or legislative or administrative action or inaction by the United States of America or any state, or any agency or political subdivision thereof, or by reason of any judicial decisions there is a good faith determination by any Member that (a) the Master Indenture has become void or unenforceable or impossible to perform, or (b) unreasonable burdens or excessive liabilities have been imposed on such Member, including without limitation, federal, state or other ad valorem property, income or other taxes being then imposed which were not being imposed on the date of issuance of the Bonds.

Mandatory Redemption. The Bonds maturing on February 1, 20__ are subject to mandatory redemption prior to their stated maturity in part, by lot, from Mandatory Sinking Account Payments, on any February 1, on or after February 1, 20__, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, as follows:

<u>Payment Date</u> <u>(February 1)</u>	<u>Mandatory Sinking</u> <u>Account Payments</u>
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The Bonds maturing on February 1, 20__ are subject to mandatory redemption prior to their stated maturity in part, by lot, from Mandatory Sinking Account Payments, on any February 1, on or after February 1, 20__, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, as follows:

<u>Payment Date</u> <u>(February 1)</u>	<u>Mandatory Sinking</u> <u>Account Payments</u>
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EXHIBIT B
LETTER OF REPRESENTATIONS

October __, 2016

California Health Facilities Financing Authority
915 Capitol Mall, Suite 435
Sacramento, California 95814

Treasurer of the State of California
915 Capitol Mall, Suite 261
Sacramento, California 95814

Citigroup Global Markets Inc.
444 South Flower Street, 27th Floor
Los Angeles, California 90071

Re: California Health Facilities Financing Authority Revenue Bonds (El Camino Hospital) Series 2016

Ladies and Gentlemen:

The California Health Facilities Financing Authority (the “Authority”) and El Camino Hospital (the “Corporation”) have negotiated and expect to enter into a loan agreement, to be dated as of November 1, 2016 (the “Loan Agreement”). Pursuant to a purchase contract, dated the date hereof (the “Purchase Contract”), by and among Citigroup Global Markets Inc. (the “Underwriter”), and the Authority, and the Treasurer of the State of California, as agent for sale (the “Treasurer”), which the Corporation has approved, the Treasurer on behalf of the Authority proposes to sell \$_____ principal amount of California Health Facilities Financing Authority Revenue Bonds (El Camino Hospital) Series 2016 (the “Bonds”) to the Underwriter. Capitalized terms used herein and not defined herein shall have the respective meanings set forth in the Purchase Contract.

The offering of the Bonds is described in a preliminary official statement dated October __, 2016 (the “Preliminary Official Statement”) and an official statement, dated the date hereof (the “Official Statement”). The Authority will loan the proceeds of the Bonds to the Corporation pursuant to the terms of the Loan Agreement. The proceeds of the Bonds will thereafter be used (i) to finance certain capital expenditures at facilities owned or operated by the Corporation (the “Project”); (ii) to fund capitalized interest on the Bonds; and (iii) to pay costs of issuance (including the Underwriter’s fee) with respect to the Bonds.

Certain revenues and other moneys received by the Authority pursuant or with respect to the Loan Agreement will be pledged to secure the payment of the Bonds, including the interest thereon, pursuant to a Bond Indenture, to be dated as of November 1, 2016 (the “Indenture”), between the Authority and Wells Fargo Bank, National Association, as trustee (the “Trustee”). The Corporation hereby deems final, ratifies, confirms and approves the use by the Underwriter, prior to the date hereof, of the Preliminary Official Statement and the Official Statement. The Corporation hereby approves the use of the Official Statement in connection with the offer and sale of the Bonds.

In order to induce you to enter into the Purchase Contract and to make the sale and purchase and reoffering of the Bonds therein contemplated, the Corporation hereby represents, warrants and agrees with each of you as follows:

1. The Corporation is a nonprofit public benefit corporation duly organized, validly existing, qualified to do business and is doing business in, and is in good standing under the laws of the State of California. The Corporation has, and at the Closing Date will have, the requisite legal right, power and authority to enter into this Letter of Representations (this “Letter of Representations”), the Loan Agreement, the Master Indenture, Supplement No. 6, Obligation No. 6, the Continuing Disclosure Agreement, and the Tax Agreement (collectively the “Corporation Documents”), to approve the Purchase Contract, the Indenture and the Official Statement (as defined herein), and to carry out and consummate all transactions contemplated by the Corporation Documents, the Indenture, the Purchase Contract and the Official Statement, and by proper corporate action has duly authorized the execution and delivery of the Corporation Documents, the approval of the Purchase Contract, the Indenture and the Official Statement, and the distribution of the Official Statement.

2. The officers of the Corporation executing the Corporation Documents and approving the Purchase Contract, the Indenture and the Official Statement are duly and properly in office and fully authorized to execute and approve the same.

3. The approval of the Purchase Contract, the Indenture and the Official Statement by an officer of the Corporation has been duly authorized by the Corporation; this Letter of Representations has been duly authorized, executed and delivered by the Corporation; the execution and delivery of each of the other Corporation Documents have been duly authorized by the Corporation and at the Closing such documents will have been duly executed and delivered by the Corporation; and the Loan Agreement, when assigned to the Trustee pursuant to the terms of the Indenture, and the other Corporation Documents will constitute the legal, valid and binding obligations of the Corporation to the Trustee enforceable against the Corporation in accordance with their respective terms for the benefit of the holders of the Bonds and any rights of the Authority and obligations of the Corporation not so assigned to the Trustee will constitute the legal, valid and binding obligations of the Corporation to the Authority enforceable against the Corporation in accordance with their respective terms; except as enforcement of each of the above-referenced documents may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws affecting the enforcement of creditors’ rights generally and the effect of such principles on the availability of particular remedies, whether considered in a proceeding in equity or at law.

4. The Corporation is not (i) in violation of any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree, which violation would materially adversely affect the financial position or operations of the Corporation or (ii) in default under any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Corporation is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute an event of default under any such instrument, in each case which default or event of default would materially adversely affect the financial position or operations of the Corporation or the validity of the Corporation Documents, the Indenture, or the Purchase Contract or the Corporation’s ability to perform its obligations thereunder.

5. The execution and delivery of the Corporation Documents by the Corporation, the Corporation’s approval of the Purchase Contract, the Indenture and the Official Statement, the consummation by the Corporation of the transactions herein and therein contemplated, and the Corporation’s fulfillment of or compliance with the terms and conditions hereof and thereof will not (a) conflict with or constitute a violation or breach of or default (with due notice or the passage of time or

both) under (i) the Articles of Incorporation of the Corporation, (ii) the bylaws of the Corporation, (iii) any indenture, mortgage, deed of trust, loan agreement, contract, lease or other agreement or instrument to which the Corporation is a party or by which it or its properties are otherwise subject or bound, or (iv) any law or administrative rule or regulation or any court or administrative decree or order applicable to the Corporation, or (b) result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Corporation, which conflict, violation, breach, default, lien, charge or encumbrance would materially and adversely affect the consummation of the transactions contemplated by the Corporation Documents, the Indenture, the Purchase Contract or the Official Statement, or the financial condition, assets, properties or operations of the Corporation. The Corporation is not in breach, default, or in violation of any statute, indenture, mortgage, deed of trust, note, loan agreement, or other agreement or instrument which would allow the obligee or obligees thereof to take any action which would adversely affect its performance under the Corporation Documents, the Indenture, or the Purchase Contract.

6. No consent or approval of any trustee, insurer, guarantor or holder of any indebtedness of the Corporation, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except in connection with Blue Sky proceedings and except for such licenses, certificates, approvals, variances and permits as may be necessary for the development and operation of the Project, as such term is defined in the Indenture) is necessary in connection with the execution and delivery of this Letter of Representations, the execution and delivery of the other Corporation Documents at or before the Closing, the approval of the Purchase Contract, the Indenture or the Official Statement, or the consummation of any transaction herein or therein contemplated, except in all such cases as have been obtained or made and as are in full force and effect (or, in the case of those Corporation Documents to be executed at the Closing, will be obtained or made and will be in full force and effect at the Closing).

7. Except as described in the Preliminary Official Statement and the Official Statement, there are no actions, suits, proceedings, inquiries or investigations before or by any judicial or administrative court or agency as to which notice has been served on the Corporation or are otherwise pending or, to the knowledge of the Corporation after due inquiry, threatened against the Corporation:

(a) seeking to restrain or enjoin the issuance or delivery of any of the Bonds or the collection of Revenues (as such term is defined in the Indenture) pledged under the Indenture or any payments to be made by the Corporation pursuant to the Loan Agreement;

(b) in any way contesting or affecting the authority for the issuance or delivery of the Bonds or the validity when executed and delivered of the Bonds, the Indenture, the Purchase Contract, or the Corporation Documents or the collection of Revenues pledged under the Indenture or the distribution of the Official Statement;

(c) in any way contesting the corporate existence or powers of the Corporation;

(d) which, if determined adversely to the Corporation, could reasonably be expected to materially adversely affect the consummation of the transactions contemplated by the Corporation Documents, the Indenture, the Purchase Contract or the Official Statement, or the ability of the Corporation to perform its obligations under the Corporation Documents, or the financial condition, assets or properties of the Corporation; or

(e) contesting or adversely affecting the Corporation's status as an organization described in Section 501(c)(3) of the Code or which would subject any income of the Corporation to

federal income taxation to such extent as would result in loss of the exclusion from gross income for federal income tax purposes of interest on any of the Bonds under Section 103 of the Code.

8. The Corporation is an organization described in Section 501(c)(3) of the Code; and the Corporation is exempt from federal income tax under Section 501(a) of the Code, except with respect to any unrelated business income of the Corporation. Such status is based on a letter confirming such determination from the Internal Revenue Service to the Corporation dated September 22, 1993. The Corporation is not a private foundation within the meaning of Section 509(a) of the Code; and the Corporation at all times will maintain its status as an organization described in Section 501(c)(3) of the Code and its exemption from federal income tax under Section 501(a) of the Code or corresponding provisions of future federal income tax laws. The facts and circumstances which formed the basis of the Corporation's status as an organization described in Section 501(c)(3) of the Code as represented to the Internal Revenue Service continue to exist.

9. The Corporation, as it is using proceeds of the Bonds, is a "participating health institution," as that term is defined in the California Health Facilities Financing Authority Act (the "Act"), and the Project (as defined in the Indenture) is a "project" as that term is defined in the Act. The Corporation is organized and operated exclusively for charitable purposes, not for pecuniary profit, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

10. Except as described in the Tax Agreement, no facility financed by any portion of the proceeds of the Bonds is or at any time will be used by any person which is not an "exempt person" within the meaning of the Code and the regulations proposed and promulgated thereunder, or by a governmental unit or a 501(c)(3) organization (including the Corporation) in an "unrelated trade or business" within the meaning of Section 513(a) of the Code and the regulations proposed and promulgated thereunder, in such manner or to such extent as would result in loss of exclusion from gross income for federal tax purposes of interest on any of the Bonds under Section 103 of the Code.

11. The Corporation's audited Combined Financial Statements as of and for the Years Ended June 30, 2016 and 2015 and Independent Auditors' Report (copies of which, certified by Moss Adams LLP, have been furnished to the Authority and the Underwriter), present fairly, in all material respects, the financial position, activities and cash flows of the Corporation at June 30, 2016 and 2015, respectively, in conformity with generally accepted accounting principles, and since June 30, 2016, there has been no material adverse change in the assets, operations or financial condition of the Corporation other than any such change which the Corporation has disclosed in writing to the Authority and the Underwriter and that is described in the Official Statement.

12. All financial and other information that has been or will be delivered to the Authority, the Underwriter or the Trustee by the Corporation did or will (as applicable), in all material respects, correctly and fairly present the financial condition of Corporation, including all material contingent liabilities as of said dates and the results of the operations of the Corporation for such period. The Corporation does not have any asset, liability, liability for taxes, long-term lease or unusual forward or long-term commitment material to the financial condition of the Corporation which is not reflected in the financial statements referred to above.

13. Between the date hereof and the Closing Date, the Corporation will not, without the prior written consent of the Underwriter, except as described in or contemplated by the Official Statement, incur any material liabilities, direct or contingent, other than in the ordinary course of business.

14. No Property (as defined in the Master Indenture) of the Corporation is subject to any lien other than Permitted Liens (as defined in the Master Indenture).

15. The Corporation delivered, or caused to be delivered, to the Underwriter copies of the Preliminary Official Statement in the electronic format designated by the MSRB. The Corporation represents and warrants that information contained in the Preliminary Official Statement was deemed final as of the its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”). The Corporation will cooperate in the preparation and delivery to the Underwriter of the final Official Statement, dated the date hereof, substantially in the form of the Preliminary Official Statement, with only such changes, additions thereto or deletions therefrom as the Underwriter may approve (the “Official Statement”). The Preliminary Official Statement, as of its date and as of the date hereof, as amended or supplemented, if applicable, did not and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (*provided that* no representation is made with respect to the information regarding the Authority, The Depository Trust Company (“DTC”) and the book-entry system, or the Underwriter.

16. The Corporation:

(a) is in compliance with all laws, ordinances, governmental rules and regulations to which it is subject and which are material to its properties, operations, finances or status as an organization described in Section 501(c)(3) of the Code;

(b) has obtained all licenses, permits, franchises or other governmental authorizations necessary and material to the ownership of its property or to the conduct of its activities, and agrees to obtain all such licenses, permits, franchises or other governmental authorizations as may be required in the future for its operations in all cases where failure to obtain such licenses, permits, franchises or other governmental authorizations could reasonably be expected to materially and adversely affect the condition (financial or otherwise) of the Corporation or its ability to perform its obligations under the Corporation Documents; and

(c) has obtained, or in a timely manner will obtain, all licenses, permits, franchises or other governmental authorizations necessary for the Project.

17. The Corporation will not, while any Bonds are outstanding, take or permit to be taken any action which would result in the interest component represented by any of the Bonds being included in gross income for federal income tax purposes.

18. As of the date of the Official Statement and as of the Closing Date, (i) the statements and information contained in the Official Statement as amended or supplemented pursuant to the Purchase Contract or this Letter of Representations, if applicable, were and will be true and correct in all material respects and (ii) the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (provided in each case that no representation is made with respect to the information regarding the Authority, DTC and the book-entry system, or the Underwriter). Within the past five years, neither the Corporation nor the El Camino Healthcare District has failed to comply in all material respects with any undertaking with regard to Rule 15c2-12 to provide annual reports or notices of enumerated events.

19. If, between the date hereof and up to and including the 25th day following the end of the underwriting period (as such term is defined in Rule 15c2-12), any event shall occur of which the Corporation has knowledge which is reasonably likely to cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the

circumstances under which they were made, not misleading, the Corporation shall notify the Authority and the Underwriter and, if, in the opinion of the Corporation, the Authority or the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Corporation will request the Authority to cause the Official Statement to be amended or supplemented in a form and in a manner approved by the Underwriter, provided all expenses thereby incurred will be paid by the Corporation and provided further that, for purposes of this provision, the end of the underwriting period shall be the Closing Date unless the Underwriter provides written notice to the contrary to the Authority and the Corporation on the date of Closing.

20. For 25 days from the date of the end of the underwriting period (as such term is defined in Rule 15c2-12), (a) the Corporation will not participate in the issuance of any amendment or supplement to the Official Statement to which, after being furnished with a copy, any of you shall reasonably object in writing or which shall be disapproved by your respective counsel and (b) if any event related to or affecting the Authority or the Corporation or its present or proposed facilities shall occur as a result of which it is necessary, in the opinion of counsel for the Underwriter or the Authority, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, the Corporation shall forthwith prepare and furnish to the Underwriter and the Authority (at the expense of the Corporation) in the electronic format designated by the MSRB an amendment of or supplement to the Official Statement (in form and substance reasonably satisfactory to counsel for the Underwriter and counsel to the Authority) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading. For the purposes of this subsection, the Corporation will furnish such information with respect to itself and its present and proposed facilities as any of you may from time to time reasonably request.

21. (a) To the extent permitted by law, the Corporation agrees to indemnify and hold harmless the Authority, the Treasurer, the Underwriter, each person, if any, who controls (as such term is defined in either of Section 15 of the Securities Act of 1933, as amended (the “Securities Act”) or the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as applicable) the Authority, the Treasurer and the Underwriter and the respective past, present or future directors, officers, officials, employees, and members of the Authority, the Treasurer and the Underwriter (collectively, with respect to their rights under this Subsection 21(a), the “Indemnified Persons,” and individually, an “Indemnified Person”) from and against any and all liabilities, obligations, suits, actions, judgments, losses, claims, damages, demands, fines, penalties, costs and expenses, joint or several, including, without limitation, any legal or other expenses reasonably incurred by them in connection with investigating or defending any such liabilities, obligations, suits, actions, judgments, losses, claims, damages, demands, fines, penalties, costs and expenses, arising out of or based upon (a) any allegation or determination that the Bonds are not exempt from registration under the Securities Act of 1933, as amended, or the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended; and (b) any untrue or alleged untrue statement of a material fact contained in the Preliminary Official Statement or the Official Statement (or in any supplement or amendment thereto) (except, (x) solely with respect to indemnification of the Authority, for the information set forth under the captions “THE AUTHORITY,” and “ABSENCE OF MATERIAL LITIGATION—The Authority,” and (y), solely with respect to indemnification of the Underwriter, information furnished by or on behalf of the Underwriter specifically for inclusion therein), or arising out of or based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except, (x) solely with respect to indemnification of the Authority, for the information set forth under the captions “THE AUTHORITY,” and “ABSENCE OF MATERIAL LITIGATION—The Authority,” and (y), solely with respect to

indemnification of the Underwriter, information furnished by or on behalf of the Underwriter specifically for inclusion therein). The foregoing indemnity shall not inure to the benefit of the Underwriter or to the benefit of any person controlling the Underwriter if a copy of the Official Statement (as amended or supplemented if the Corporation shall have furnished any amendments to supplements thereto) was not sent or given by the Underwriter or on behalf of the Underwriter to the person asserting the claim against the Underwriter or the person controlling the Underwriter (the "Claimant"), if required by law to so have been delivered, at or prior to the written confirmation of the sale of the securities to the Claimant, (and if the Official Statement as so amended or supplemented would have prevented such loss, claim, damage or liability), unless the failure to deliver the Official Statement (as amended or supplemented) was the result of noncompliance by the Corporation or the Authority with any provision of this Letter of Representations or the Purchase Contract. This indemnity agreement will be in addition to any liability which the Corporation may otherwise have. The Authority, the Treasurer and the Corporation each acknowledge that the statements set forth in the last paragraph of the cover page of the Official Statement regarding the delivery of the Bonds, the second sentence of the second paragraph and the fourth paragraph, in each case on the page immediately following the inside front cover of the Official Statement and the section under the heading "UNDERWRITING," constitute the only information furnished in writing by or on behalf of the Underwriter for inclusion in the Official Statement (or in any amendment or supplement thereto).

(b) The Underwriter agrees to indemnify and hold harmless the Corporation, each of its officials, directors, officers and employees, and each person who controls the Corporation within the meaning of either the Securities Act or the Exchange Act (collectively, with respect to their rights under this Subsection 21(b), the "Indemnified Persons," and individually, an "Indemnified Person"), to the same extent as the foregoing indemnity from the Corporation to the Underwriter, but only with reference to written information relating to the Underwriter furnished to the Corporation by or on behalf of the Underwriter specifically for inclusion in the Preliminary Official Statement or the Official Statement (or in any amendment or supplement thereto). This indemnity agreement will be in addition to any liability which the Underwriter may otherwise have. The Corporation acknowledges that the statements set forth in the last paragraph of the cover page of the Official Statement regarding the delivery of the Bonds, and the fourth paragraph on the legend page appearing on the page immediately following the page facing the inside front cover of the Official Statement and the section under the heading "UNDERWRITING," constitute the only information furnished in writing by or on behalf of the Underwriter for inclusion in the Official Statement (or in any amendment or supplement thereto).

(c) Promptly after receipt by an Indemnified Person under this Section 21 of notice of the assertion of any claim or the commencement of any action, such Indemnified Person will, if a claim in respect thereof is to be made against the applicable indemnifying party under this Section 21, notify the indemnifying party in writing of the commencement thereof; but the failure so to notify the indemnifying party (i) will not relieve it from liability under paragraph (a) or (b) of this Section 21 unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the indemnifying party of substantial rights and defenses; and (ii) will not, in any event, relieve the indemnifying party from any obligations to any Indemnified Person other than the indemnification obligation provided in paragraph (a) or (b) of this Section 21. The indemnifying party shall be entitled to appoint counsel of the indemnifying party's choice at the indemnifying party's expense to represent the Indemnified Person in any action for which indemnification is sought (in which case the indemnifying party shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the Indemnified Person or parties except as set forth below); provided, however, that such counsel shall be satisfactory to the Indemnified Person. Notwithstanding the indemnifying party's election to appoint counsel to represent the Indemnified Person in an action, the Indemnified Person shall have the right to employ separate counsel (including local counsel), and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the indemnifying

party to represent the Indemnified Person would present such counsel with a conflict of interest; (ii) the actual or potential defendants in, or targets of, any such action include both the Indemnified Person and the indemnifying party and the Indemnified Person shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party; (iii) the indemnifying party shall not have employed counsel satisfactory to the Indemnified Person to represent the Indemnified Person within a reasonable time after notice of the institution of such action; or (iv) the indemnifying party shall authorize the Indemnified Person to employ separate counsel at the expense of the indemnifying party. An indemnifying party will not, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each Indemnified Person from all liability arising out of such claim, action, suit or proceeding.

(d) In order to provide for just and equitable contribution in circumstances in which the indemnity provided in paragraph (a) or (b) of this Section 21 is unavailable to or insufficient to hold harmless an Indemnified Person for any reason, the Corporation and the Underwriter agree to contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) (collectively “Losses”) to which the Corporation and the Underwriter may be subject in such proportion as is appropriate to reflect the relative benefits received by the Corporation, on the one hand, and by the Underwriter, on the other, from the offering of the Bonds. If the allocation provided by the immediately preceding sentence is unavailable for any reason, the Corporation and the Underwriter shall contribute in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Corporation, on the one hand, and of the Underwriter, on the other, in connection with the statements or omissions which resulted in such Losses, as well as any other relevant equitable considerations. In no case shall the Underwriter be responsible for any amount in excess of the purchase discount or commission applicable to the Bonds purchased by the Underwriter hereunder. Benefits received by the Corporation shall be deemed to be equal to the total net proceeds from the offering (before deducting expenses) received by it, and benefits received by the Underwriter shall be deemed to be equal to the total purchase discounts and commissions in each case set forth in the Official Statement. Relative fault shall be determined by reference to, among other things, whether any untrue or any alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information provided by the Corporation, on the one hand, or the Underwriter, on the other, the intent of the parties and their relative knowledge, information and opportunity to correct or prevent such untrue statement or omission. The Corporation and the Underwriter agree that it would not be just and equitable if contribution were determined by pro rata allocation or any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this paragraph (d) of this Section 21, no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 21, each person who controls the Underwriter within the meaning of either the Securities Act or the Exchange Act and each director, officer, employee and agent of the Underwriter shall have the same rights to contribution as the Underwriter, and each person who controls the Corporation within the meaning of either the Securities Act or the Exchange Act and each official, director, officer and employee of the Corporation shall have the same rights to contribution as the Corporation, subject in each case to the applicable terms and conditions of this paragraph (d) of this Section 21. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties under this paragraph, notify such party or parties from whom contribution may be sought, but the omission so to notify shall not relieve the party or parties from whom contribution

may be sought from any other obligation it or they may have hereunder or otherwise than under this paragraph. No party shall be liable for contribution with respect to any action or claim settled without its consent.

22. The Corporation acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to the Purchase Contract is an arm's-length, commercial transaction between the Treasurer, the Authority and the Underwriter in which the Underwriter is acting solely as a principal and is not acting as an agent, advisor or fiduciary of the Treasurer, the Authority, or the Corporation, (ii) the Underwriter has not assumed any advisory or fiduciary responsibility to any of the Treasurer, the Authority, or the Corporation with respect to the Purchase Contract, the offering of the Bonds and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter, or any affiliate of the Underwriter, has provided other services or is currently providing other services to any of the Treasurer, the Authority, or the Corporation on other matters), (iii) the only contractual obligations the Underwriter has to any of the Treasurer, the Authority, or the Corporation with respect to the transactions contemplated by the Purchase Contract are those set forth in the Purchase Contract, (iv) the Underwriter has financial and other interests that differ from those of the Treasurer, the Authority, and the Corporation, and (v) the Treasurer, the Authority, and the Corporation have each consulted with their own legal, accounting, tax, financial and other advisors, as applicable, to the extent they have deemed appropriate. Nothing in the foregoing paragraph is intended to limit the Underwriter's obligations of fair dealing under MSRB Rule G-17.

23. The Corporation hereby agrees to pay the expenses described as payable by it in the Purchase Contract and any expenses incurred in amending or supplementing the Official Statement pursuant to the Purchase Contract or this Letter of Representations. The Corporation shall reimburse the Underwriter for expenses incurred on behalf of the Corporation's employees which are incidental to implementing the Purchase Contract, including, but not limited to, meals, transportation and lodging of those employees.

The representations, warranties, agreements and indemnities herein shall survive the Closing under the Purchase Contract and any investigation made by or on behalf of any of you, or by any person who controls any of you, into any matters described in or related to the transactions contemplated hereby and by the Corporation Documents, the Purchase Contract, the Indenture, the Official Statement and the Indenture.

This Letter of Representations shall be binding upon and inure solely to the benefit of each of you and the Corporation and, to the extent set forth herein, persons controlling any of you, and your and their respective officers, employees, agents and personal representatives, successors and assigns, and no other person or firm shall acquire or have any right under or by virtue of this Letter of Representations. No recourse under or upon any obligation, covenant or agreement contained in this Letter of Representations shall, under any circumstances, exist or be had against any officer, agent, employee or director of the Corporation as individuals.

This Letter of Representations may be executed in any number of counterparts and all such counterparts shall together constitute one and the same instrument. Each provision of this Letter of Representations shall be construed to preserve its validity and enforceability to the extent possible. In the event any provision of this Letter of Representations is declared void, invalid, or unenforceable, the party who would have the provision enforced shall be entitled to elect whether (1) the provision should be modified to the extent necessary to make it valid and enforceable or (2) the provision shall be deemed not to be a part of this Letter of Representations.

If the foregoing is in accordance with your understanding of the agreement among us, kindly sign and return the duplicates of this Letter of Representations whereupon this will constitute a binding agreement among us in accordance with the terms hereof.

EL CAMINO HOSPITAL

By: _____
Chief Executive Officer

Accepted and Agreed to:

**CALIFORNIA HEALTH FACILITIES
FINANCING AUTHORITY**

By: _____
Executive Director

**TREASURER OF THE STATE OF
CALIFORNIA**

By: _____
Deputy Treasurer
For California State Treasurer John Chiang

Approved:

CITIGROUP GLOBAL MARKETS INC.

By: _____
Authorized Officer

B-S-1

California Health Facilities Financing Authority Revenue Bonds (El Camino Hospital) Series 2016,
signature page for Letter of Representations

EXHIBIT C

FORM OF OPINION OF COUNSEL TO THE CORPORATION

November __, 2016

California Health Facilities Financing Authority
915 Capitol Mall, Room 435
Sacramento, California 95814

Citigroup Global Markets Inc.
444 South Flower Street, 27th Floor
Los Angeles, California 90071

Wells Fargo Bank, National Association
Corporate Trust Services
MAC A0119-181
333 Market Street, 18th Floor
San Francisco, California 94105

Orrick, Herrington & Sutcliffe LLP
400 Capitol Mall, Suite 3000
Sacramento, California 95814

Re: California Health Facilities Financing Authority Revenue Bonds (El Camino Hospital),
Series 2016

Ladies and Gentlemen:

We have acted as counsel to El Camino Hospital, a California nonprofit public benefit corporation, (the “Corporation”), in connection with the issuance by the California Health Facilities Financing Authority (the “Authority”) of \$_____ principal amount of California Health Facilities Financing Authority Revenue Bonds (El Camino Hospital) Series 2016 (the “Bonds”). The Bonds are being issued pursuant to a Bond Indenture dated as of November 1, 2016 (the “Indenture”), between the Authority and Wells Fargo Bank, National Association, as trustee (the “Trustee”). The proceeds of the sale of the Bonds will be loaned to the Corporation pursuant to a Loan Agreement, dated as of November 1, 2016 (the “Loan Agreement”), by and between the Authority and the Corporation. The proceeds of the Bonds will thereafter be used as described in the Purchase Contract (defined herein), (i) to finance certain capital expenditures at facilities owned or operated by the Corporation (the “Project”); (ii) to fund capitalized interest on the Bonds; and (iii) to pay costs of issuance (including the Underwriter’s fee) with respect to the Bonds.

The Bonds are being sold pursuant to a purchase contract, dated October __, 2016 (the “Purchase Contract”), by and among the Authority, the Treasurer of the State of California (the “Treasurer”) and Citigroup Global Markets Inc., as underwriter (the “Underwriter”), and approved by the Corporation. The Purchase Contract contains a letter of representations, executed and delivered by Corporation (the “Letter of Representations”), dated October __, 2016, attached thereto as Exhibit B.

This letter is furnished pursuant to Section 3(e)(3) of the Purchase Contract. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Indenture.

As such counsel, we have examined such matters of fact and questions of law as we have considered appropriate for purposes of this letter, except where a specified fact confirmation procedure is stated to have been performed (in which case we have with your consent performed the stated procedure). We have examined, among other things, the following:

- (a) The Loan Agreement;
- (b) The Letter of Representations;
- (c) The Tax Certificate and Agreement, dated as of the date hereof, by and between the Authority and the Corporation;
- (d) The Continuing Disclosure Agreement, dated as of November __, 2016, between the Corporation and the Trustee, with respect to the Bonds;
- (e) The Master Indenture;
- (f) Supplement No. 6;
- (g) Obligation No. 6;
- (h) The Restricted Account and Securities Control Agreement, dated as of March 22, 2007, by and among Wells Fargo, National Association, as Depository Bank (the “Depository Bank”), the Master Trustee and the Corporation (the “Account Control Agreement”);
- (i) The Purchase Contract;
- (j) The material agreements to which the Corporation is subject that are listed on Exhibit A hereto;
- (k) The Indenture;
- (l) The Preliminary Official Statement, dated October __, 2016 (the “Preliminary Official Statement”) and the Official Statement, dated October __, 2016 (the “Official Statement”), relating to the Bonds;
- (m) The Articles of Incorporation and the Bylaws of the Corporation, both as amended to date (the “Governing Documents”);
- (n) A Resolution relating to the transactions referred to herein, adopted by the Board of Directors of the Corporation (the “Board”) on October __, 2016 (the “Resolution”);
- (o) A certificate of status of the Corporation issued by the Secretary of State of the State of California and an exempt letter of good standing issued by the Franchise Tax Board of the State of California, each of recent date; and

- (p) Evidence of the Corporation's status as a corporation described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), including a letter of determination, dated September 22, 1993, and November 3, 1998, from the Internal Revenue Service (the "IRS") with respect to the Corporation, and a copy of the Application for Recognition of Exemption, Form 1023, filed with the IRS with respect to the Corporation.

The documents described in subsections (a) – (i) above are referred to herein collectively as the "Financing Documents." In addition to the items listed in subsections (a) through (q) above, in connection with our opinion rendered in numbered paragraph 2 below, we have examined and relied with your permission upon a certificate of a responsible officer of the Corporation, and we have also examined corporate and committee minutes for the last three years, the agreements specifically identified in the certificate, and Form 990T for the last three years.

We are aware that the Preliminary Official Statement and the Official Statement describing the Bonds, among other things, have been prepared and circulated, based in part upon information supplied by the Corporation. We have not independently verified the accuracy, completeness or fairness of the statements made or the information contained in the Preliminary Official Statement and the Official Statement and we are not passing upon and do not assume any responsibility therefor. In the course of the preparation of the Preliminary Official Statement and the Official Statement, we have participated in discussions with representatives of the Underwriter, their counsel, bond counsel and representatives of the Corporation, in which the operations and affairs of the Corporation and the contents of the Official Statement were discussed. On the basis of information that we have gained in the course of representing the Corporation in connection with the issuance of the Bonds, nothing came to our attention that caused us to believe as a matter of fact, not opinion, that (i) the Preliminary Official Statement, as of the date of the Purchase Contract, (except the sections of the Preliminary Official Statement entitled "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION – The Authority," any CUSIP numbers, financial, accounting, and statistical or economic, engineering, or demographic information, data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, Appendices B, D and E, or any information about book-entry, Depository Trust Company, underwriters, underwriting, included or referred to therein or omitted therefrom, or any other disclosure document, materials or activity, or as to any information from another document or source referred to by or incorporated by reference therein, as to which we express no view) contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (ii) the Official Statement (except the sections of the Official Statement entitled "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION – The Authority," any CUSIP numbers, financial, accounting, and statistical or economic, engineering, or demographic information, data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, Appendices B, D and E, or any information about book-entry, Depository Trust Company, underwriters, underwriting, included or referred to therein or omitted therefrom, or any other disclosure document, materials or activity, or as to any information from another document or source referred to by or incorporated by reference therein, as to which we express no view) as of its date and as of the date hereof, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

With your consent, we have relied upon our review of the foregoing, including the representations and warranties of the Corporation in the Financing Documents, and upon certificates of officers of the Corporation and of others with respect to certain factual matters. We have not independently verified such factual matters. For purposes of this opinion, we have assumed that each of the parties, other than the Corporation, to the documents referred to herein has all requisite power and authority and has taken

all necessary corporate action, consistent with all applicable laws and regulations, to execute and deliver such documents and to effect the transactions contemplated thereby and, in the case of the Authority, to cause the Bonds to be sold. Whenever a statement herein is qualified by “to the best of our knowledge” or a similar phrase, it is intended to indicate that the attorneys who have rendered services in connection with the issuance of the Bonds do not have current actual knowledge of the inaccuracy of such statement. However, except as otherwise expressly indicated, we have not undertaken any independent investigation to determine the accuracy of any such statement.

We are opining herein as to the effect on the subject transaction only of the federal laws of the United States and the internal laws of the State of California, and we express no opinion with respect to the applicability thereto, or the effect thereon, of the laws of any other jurisdiction or as to any matters of municipal law or the laws of any other local agencies within any state. We express no opinion as to any state or federal laws or regulations applicable to the subject transactions because of the nature or extent of the business of any parties to the Financing Documents, other than the Corporation.

Subject to the foregoing and the other matters set forth herein, we are of the opinion that, as of the date hereof:

1. The Corporation is a nonprofit public benefit corporation duly incorporated under the Nonprofit Corporation Law of the State of California with corporate power and authority adequate to enter into the Financing Documents and perform its obligations thereunder and as described in the Official Statement, and approve the Official Statement, the Indenture and the Purchase Contract. Based on certificates from public officials, we confirm that the Corporation is validly existing and in good standing under the laws of the State of California.

2. The Corporation is an organization described in Section 501(c)(3) of the Code or corresponding provisions of prior law, and is exempt from federal income tax under Section 501(a) of the Code, except with respect to any unrelated business income of the Corporation under Section 511 of the Code.

3. The execution, delivery and performance of the Financing Documents and the approval of the Official Statement, the Indenture and the Purchase Contract by the Corporation have been duly authorized by all necessary corporate action of the Corporation, and the Financing Documents have been duly executed and delivered by the Corporation and the Official Statement, the Indenture and the Purchase Contract have been duly approved. The Corporation has authorized the distribution of the Preliminary Official Statement and the Official Statement.

4. Each of the Financing Documents constitutes a legally valid and binding obligation of the Corporation (assuming due authorization, execution and delivery by the other parties thereto) and, subject to the qualifications in the next to the last paragraph of this letter, enforceable against the Corporation in accordance with its terms.

5. To the best of our knowledge, the execution and delivery of the Financing Documents, the approval of the Official Statement, the Indenture and the Purchase Contract by the Corporation and the consummation by the Corporation of the transactions contemplated by the Financing Documents on the date hereof do not:

- (i) violate the provisions of the Governing Documents,
- (ii) result in the breach of or a default under any of the material agreements to which the Corporation is subject listed on Exhibit A,

- (iii) violate any federal or California statute, rule, or regulation applicable to the Corporation (except that our opinion is limited by the penultimate paragraph of this letter), or
- (iv) require any consents, approvals, or authorizations to be obtained by the Corporation from any authority or agency within the State of California or the federal government of the United States, or any registrations, declarations or filings to be made by the Corporation, under any federal or California statute, rule, or regulation applicable to the Corporation that have not been obtained or made except certain Project related approvals and permits which may be required. We express no opinion as to any approvals or consents that may be required under any state or federal blue sky or securities laws, nor as to licensure, land use approvals, entitlements or other private or public authorizations that may be required to expand, renovate or equip any hospital facilities with the proceeds of the Bonds.

6. Except as disclosed in the Official Statement, to our knowledge after having made inquiry of officers of the Corporation, but without having investigated any governmental records or court dockets, there is no action, suit, proceeding, litigation or governmental investigation before or by any judicial or administrative court or agency pending (for which the Corporation has received service of process or otherwise been notified) or overtly threatened in writing against the Corporation which seeks to prohibit, restrain, enjoin or invalidate the execution, delivery or performance of any of the Financing Documents, the approval of the Indenture or the Purchase Contract, or any of the transactions contemplated by the Financing Documents.

7. The provisions of the Master Indenture create a valid security interest in the Gross Revenues (as defined in the Master Indenture) of the Obligated Group to the extent that a security interest can be created under Article 9 of the Uniform Commercial Code as in effect in the State of California (the “UCC”). Assuming (i) the execution and delivery of the Account Control Agreement, and (ii) that the Depository Bank is a “bank” and that the accounts subject to such control agreement are “deposit accounts” (as those terms are defined in the California Uniform Commercial Code), the Account Control Agreement is in proper form to have perfected the security interest in such deposit accounts in favor of the Master Trustee.

8. The Corporation is an organization described in Section 3(a)(4) of the Securities Act of 1933, as amended.

9. Supplement No. 6 is not subject to registration under the Trust Indenture Act of 1939, as amended, and Obligation No. 6 is not subject to registration under federal or state securities laws.

We express no opinion herein as to the existence of, or as to the title to the Gross Revenues or as to the priority or (except as provided in paragraph 7) the perfection of any security interest in Gross Revenues. We call your attention to the fact that the security interest may not continue to be perfected with respect to Gross Revenues that are not kept in separate deposit accounts that are subject to the Account Control Agreement. We further call your attention to the fact that creation and enforcement of any right to receive payments under the Medicare and Medicaid programs may be subject to limitations under federal and state laws and regulations. We assume that the Account Control Agreement is governed by California law and that the Depository Bank’s jurisdiction under the UCC is the State of California.

Our opinions that each of the Financing Documents delivered to you today is enforceable in accordance with its terms, are subject to: (i) bankruptcy, insolvency, reorganization, moratorium, and laws relating to fraudulent conveyances and transfers and other similar laws affecting the rights and remedies of creditors and secured parties generally; (ii) the effect of (a) general principles of equity, regardless of whether applied in proceedings in equity or at law (including the possible unavailability of specific performance or injunctive relief), (b) concepts of materiality, reasonableness, good faith and fair dealing, unconscionability, contravention of public policy and (c) the discretion of the court before which a proceeding is brought; (iii) laws concerning recourse by creditors to security in the absence of notice and hearing; (iv) the unenforceability of provisions in the Financing Documents providing for indemnification or for exculpation from liability of a party or its officers, agents or employees, which may be limited by federal or state laws, public policy considerations or court decisions that limit the rights of the indemnified or exculpated party to obtain indemnification or exculpation; (v) the unenforceability of provisions expressly or by implication waiving (a) broadly or vaguely stated rights; (b) the benefits of statutory, regulatory or constitutional rights, unless and to the extent that the statute, regulation or constitutional provision explicitly allows waiver; (c) unknown future defenses; and (d) rights to damages; (vi) the unenforceability under certain circumstances of provisions to the effect that rights or remedies are not exclusive, that every right or remedy is cumulative and may be exercised in addition to or with any other right or remedy, that election of a particular remedy or remedies does not preclude recourse to one or more other remedies, that any right or remedy may be exercised without notice, or that failure to exercise or delay in exercising rights or remedies will not operate as a waiver of any such right or remedy; (vii) the unenforceability under certain circumstances of provisions imposing penalties, forfeitures, late payment charges or an increase in interest rate upon delinquency in payment or the occurrence of a default; and (viii) the unenforceability of choice-of-law, forum selection and consent to jurisdiction clauses.

This letter is delivered only to you and is solely for your benefit in connection with the transactions covered hereby. This letter may not be relied upon by you for any other purpose, or furnished to, assigned to, quoted to, or relied upon by any other person, firm or other entity for any purpose (including any person, firm or corporation that acquires Bonds from you) without our prior written consent, which may be granted or withheld in our sole discretion, except that this letter may be included in the transcript of proceedings for the Bonds.

Very truly yours,

EXHIBIT A

1. “Ground Lease Agreement between El Camino Hospital District and El Camino Healthcare System,” dated as of December 17, 1992, by and between El Camino Hospital (formerly known as El Camino Healthcare System) and El Camino Healthcare District (formerly known as El Camino Hospital District).
2. “First Amendment to Ground Lease Agreement,” dated as of November 3, 2004, by and between El Camino Hospital and El Camino Hospital District.
3. “Second Amendment to Ground Lease Agreement,” dated as of April 9, 2015, by and between El Camino Hospital and El Camino Healthcare District.
4. “ISDA Master Agreement” and “Schedule” thereto dated as of March 7, 2007, by and between the Corporation and Citibank N.A., New York, together with three Confirmations dated March 7, 2007, as amended and restated as of _____, 2008, entered into pursuant to the ISDA Master Agreement and Schedule.
5. “Loan Agreement,” dated as of April 1, 2009, by and between the Corporation and the Santa Clara County Financing Authority relating to the Santa Clara County Financing Authority Variable Rate Revenue Bonds (El Camino Hospital) Series 2009A.
6. “Supplemental Master Indenture for Obligation No. 3,” dated as of April 1, 2009, by and between the Corporation and the Master Trustee.
7. “Supplemental Master Indenture for Obligation No. 4,” dated as of April 1, 2009, by and between the Corporation and the Master Trustee.
8. “Letter of Credit and Reimbursement Agreement,” dated as of April 1, 2009, by and between the Corporation and Wells Fargo Bank, National Association, as amended.

EXHIBIT D-1

FORM OF OPINION OF COUNSEL TO AUTHORITY

November __, 2016

California Health Facilities Financing Authority
915 Capitol Mall, Suite 435
Sacramento, CA 95814

\$ _____
California Health Facilities Financing Authority
Revenue Bonds
(El Camino Hospital)
Series 2016

Ladies and Gentlemen:

We have acted as counsel to the California Health Facilities Financing Authority (the “Authority”) in connection with the issuance of the above-referenced bonds (the “Bonds”). This opinion is delivered to you pursuant to Section 3(e)(5) of a purchase contract, dated October __, 2016 (the “Purchase Contract”), among the Authority, the Treasurer of the State of California (the “State Treasurer”), as agent for sale on behalf of the Authority, and Citigroup Global Markets Inc., as underwriter, and approved by El Camino Hospital (the “Borrower”).

The Bonds are authorized to be issued pursuant to the provisions of the California Health Facilities Financing Authority Act, constituting Part 7.2 (commencing with section 15430) of Division 3 of Title 2 of the Government Code of the State of California (the “Act”). The Bonds are being issued under a bond indenture, dated as of November 1, 2016 (the “Indenture”), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the “Trustee”). The proceeds of the Bonds are being loaned by the Authority to the Borrower pursuant to a loan agreement, dated as of November 1, 2016 (the “Loan Agreement”), by and between the Authority and the Borrower. Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture.

The Authority’s only source of payment for the principal of, premium, if any, or interest on the Bonds are Revenues and amounts held in certain funds and accounts under the Indenture to the extent described therein. The Authority is not obligated to pay the principal of, premium, if any, or interest on the Bonds except from such Revenues and amounts. Except as described in the official statement relating to the Bonds, dated October __, 2016 (the “Official Statement”), neither the faith and credit nor the taxing power of the State of California or any subdivision thereof, or any local agency, is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. The Authority has no taxing power with which to provide for payment of the principal of, premium, if any, or interest on the Bonds, nor does it have the power to commit the faith and credit or the taxing power of the State of California or any other subdivision thereof, or any local agency, to the payment of the principal of, premium, if any, or interest on the Bonds.

As to questions of fact material to this opinion, we have relied upon representations contained in the Indenture, the Loan Agreement, and the Purchase Contract (the “Authority Documents”) and in certain certificates, documents, records, statements, and opinions furnished by, or on behalf of, the

Authority and the Borrower, without undertaking to verify such facts by independent investigation. We have reviewed the Authority Documents, certificates of the Authority and others, certain parts of the Official Statement under the captions "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION - The Authority" and such other documents, opinions and matters to the extent deemed necessary to render the opinions set forth herein. In addition, we have assumed compliance with the covenants and agreements contained in the Authority Documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof, and we disclaim any obligation to update this opinion. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the immediately preceding paragraph hereof.

We express no opinion as to whether interest on the Bonds is excluded from gross income for federal income tax purposes or exempt from State of California personal income taxes or as to any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. Although one or more Authority Documents may reference or incorporate the Tax Agreement, we express no opinion regarding the Tax Agreement. We take no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto, except as expressly set forth in numbered paragraph 2 below.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that:

1. The Authority is duly organized and validly existing under the Constitution and laws of the State of California.

2. The Official Statement has been duly authorized, executed and delivered by the Authority, and the information contained in the Official Statement under the captions "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION - The Authority" is true and correct.

3. Resolution No. ___, adopted on _____, 2016, approving and authorizing the execution and delivery of the Authority Documents, the Bonds and the Official Statement, was duly adopted at a meeting of the governing body of the Authority which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and such Resolution No. ___ is in full force and effect and has not been amended or rescinded.

4. There is no action, suit or proceeding pending (with service of process against the Authority having been accomplished) or any action, suit, proceeding, inquiry or investigation before any court, governmental agency, public board or body to our knowledge threatened against the Authority to restrain or enjoin the issuance or delivery of the Bonds, the collection of Revenues pledged under the Indenture, the assignment of the Loan Agreement and Obligation No. 6 under the Indenture or the loaning of the proceeds of the Bonds to the Borrower under the Loan Agreement, or contesting any authority for the issuance of the Bonds, the validity of the Bonds or the Authority Documents or contesting the existence or powers of the Authority with respect to the issuance of the Bonds or the security therefor wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated

by the Authority Documents or the validity of the Bonds (it being understood that we have made no docket search of state or federal courts nor any other similar inquiry regarding such matters).

5. The execution and delivery of the Bonds and the Authority Documents and compliance with the provisions thereof under the circumstances contemplated thereby do not and will not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument known to us to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject, which would, in any such case, adversely affect the Authority's ability to perform its obligations under the Authority Documents; provided that no representation is made regarding compliance with any federal or state securities or "blue sky" laws.

6. The Authority Documents have been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the other parties thereto, are valid and binding obligations of the Authority, and the Bonds have been duly authorized, executed and delivered and, assuming proper authentication by the Trustee, constitute valid and binding limited obligations of the Authority, payable only from Revenues and from certain other specified funds in accordance with their terms and secured as provided in the Indenture, in each case enforceable in accordance with their respective terms, subject to the laws relating to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws related to or affecting creditors' rights generally and to the application of equitable principles as the court having jurisdiction may impose, regardless of whether such enforceability is considered in a proceeding in equity or law, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, severability, or waiver provisions contained in the Authority Documents.

We are furnishing this letter to you as your counsel. It is being delivered to you as issuer of the Bonds, is solely for your benefit as such issuer, and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of the Bonds or by any other party to whom it is not specifically addressed.

Sincerely,

Deputy Attorney General

For KAMALA D. HARRIS
Attorney General

EXHIBIT D-2

FORM OF RELIANCE LETTER TO UNDERWRITER

**\$ _____
California Health Facilities Financing Authority
Revenue Bonds
(El Camino Hospital)
Series 2016**

Ladies and Gentlemen:

In connection with the delivery of the above-referenced bonds (the “Bonds”), I have delivered my final legal opinion concerning the validity of the Bonds and certain other matters, dated the date hereof and addressed to the issuer of the Bonds.

You may rely on numbered paragraphs 1 and 6 of said opinion as though the same were addressed to you. No attorney-client relationship has existed or exists between you and myself or my office in connection with the Bonds or by virtue of this letter or otherwise.

Sincerely,

Deputy Attorney General

For KAMALA D. HARRIS
 Attorney General

EXHIBIT E

FORM OF OPINION OF COUNSEL TO THE TRUSTEE

November __, 2016

California Health Facilities Financing Authority
915 Capitol Mall, Room 435
Sacramento, California 95814

Citigroup Global Markets Inc.
444 South Flower Street, 27th Floor
Los Angeles, California 90071

El Camino Hospital
2500 Grant Road
Mountain View, California 94040-4378

\$ _____
California Health Facilities Financing Authority
Revenue Bonds
(El Camino Hospital)
Series 2016

Ladies and Gentlemen:

I am special counsel for Wells Fargo Bank, National Association, a banking corporation organized under the laws of the State of California. As such, I have reviewed the provisions of (i) the Bond Indenture dated as of November 1, 2016 (the “Indenture”) between the California Health Facilities Financing Authority, as issuer (the “Authority”), and Wells Fargo Bank, National Association, as trustee (the “Trustee”) and (ii) the Continuing Disclosure Agreement dated as of November __, 2016 (the “Continuing Disclosure Agreement,” and together with the Indenture, the “Trustee Documents”) between El Camino Hospital and the Trustee. In addition, I am generally familiar with the Articles of Association and the Bylaws of the Trustee and am also familiar with the corporate proceedings of the Trustee with regard to its authorization, execution and delivery of the Trustee Documents. Capitalized terms used herein shall have the respective meanings ascribed to them in the Indenture, except as otherwise defined herein.

For purposes of this opinion, I have assumed the genuineness of all signatures, the authenticity of all documents submitted to me as originals, and the conformity with originals of all documents submitted to me as copies. In making my examination of documents executed by entities other than the Trustee, I have assumed that each such other entity had the power to enter into and perform all its obligations thereunder, and also have assumed the due authorization of all requisite action and due execution of such documents by each such entity. Where questions of fact material to my opinions expressed below were not established independently, I have relied upon statements of officers of the Trustee as contained in their certificates.

Based upon the foregoing, I am of the opinion that:

1. The Trustee is a banking corporation duly incorporated and validly existing under the laws of the State of California, having full power and being qualified to enter into and to perform its duties as Trustee under the Trustee Documents.

2. The Trustee Documents have been duly authorized, executed and delivered by the Trustee and assuming due authorization, execution and delivery by the other parties thereto, constitute the legal, valid and binding obligations of the Trustee enforceable in accordance with their respective terms.

The foregoing opinions are being furnished to you solely for your benefit and that of your counsel and may not be relied upon by, nor may copies be delivered to, any other person without my prior written consent.

Very truly yours,

[COUNSEL TO TRUSTEE]

EXHIBIT F

CERTIFICATE OF THE TRUSTEE

The undersigned, Wells Fargo Bank, National Association, as trustee (the “Trustee”), does hereby certify as follows:

1. This Certificate is being provided in connection with the issuance and delivery of the \$_____ principal amount of California Health Facilities Financing Authority Revenue Bonds (El Camino Hospital) Series 2016 (the “Bonds”) executed and delivered pursuant to the Bond Indenture, dated as of November 1, 2016 (the “Indenture”), between the California Health Facilities Financing Authority (the “Authority”) and the Trustee.

2. The Trustee is a national banking association organized and existing under and by virtue of the laws of the United States of America, and has all requisite power, including trust powers, and authority to accept, execute, deliver, and perform all of its obligations as Trustee under and pursuant to: (a) the Indenture; and (b) the Continuing Disclosure Agreement dated as of November __, 2016 (the “Continuing Disclosure Agreement” and together with the Indenture, the “Trustee Documents”), between El Camino Hospital and the Trustee, and to take all actions required of it under the Trustee Documents and the Bonds.

3. The Trustee Documents have been duly executed and delivered by an officer of the Trustee duly authorized to execute and deliver such documents as evidenced by the Authorizing Resolution attached hereto as Exhibit A, and the execution, delivery and performance of the Trustee Documents have been duly authorized by all necessary action of the Trustee.

4. Pursuant to the provisions of the Indenture, the Bonds were authenticated in the name of and on behalf of the undersigned by authorized signatories of the undersigned, duly authorized to so authenticate the Bonds, as evidenced by the Authorizing Resolution referred to in paragraph 3 hereof, and as set forth in the Incumbency Certificate of the Trustee attached hereto as Exhibit B, were registered and delivered by the Trustee pursuant to the Indenture and the Order of the Authority, dated the date hereof, and as directed by the underwriter for the Bonds.

5. The Trustee has duly accepted the trusts created pursuant to the Indenture, and such acceptance and performance by the Trustee of its obligations in accordance with the Trustee Documents will not contravene the Articles of Incorporation or Bylaws of the Trustee or, to the best knowledge of the Trustee, conflict with or constitute a breach of or a default under any law, administrative or governmental regulation, consent, decree, order, indenture, contract or other agreement or instrument to which the Trustee is subject or bound or by which any of its assets is bound, and the performance of the obligations of the Trustee under the Trustee Documents have been duly authorized by all necessary corporate action.

6. To the best knowledge of the Trustee, all approvals, consents and orders of any governmental authority or agency having jurisdiction in the matter, receipt of which would constitute a condition precedent to the performance by the Trustee of its obligations under the Trustee Documents, have been obtained and are in full force and effect. The undersigned certification does not include compliance with federal and state securities laws.

7. To the best knowledge of the Trustee, no litigation has been served or threatened (either in state or federal courts): (a) in any way contesting the existence or trust powers of the Trustee or the Trustee’s ability to fulfill its obligations under the Trustee Documents; (b) to restrain or enjoin the

execution or delivery of any of the Bonds by the Trustee; or (c) in any way contesting or affecting any authority for the execution and delivery of the Bonds.

IN WITNESS WHEREOF, the Trustee has caused this Certificate to be executed by its officer thereunto duly authorized as of November __, 2016.

_____, as Trustee

By: _____

Its: _____

EXHIBIT G

FORM OF MOSS ADAMS PROCEDURE LETTER

October __, 2016

El Camino Hospital
2500 Grant Road
Mountain View, California 94040-4378

Citigroup Global Markets Inc.
Public Finance
444 South Flower Street, 27th Floor
Los Angeles, California 90071

Ladies and Gentlemen:

We have audited the consolidated balance sheets of El Camino Healthcare District (the "District") as of June 30, 2016 and 2015, and the consolidated statements of revenues, expenses and changes in net position and cash flows for each of the two years ended June 30, 2016 and 2015, included in the Preliminary Official Statement for the \$_____ California Health Facilities Financing Authority Revenue Bonds (El Camino Hospital) Series 2016 (the "Preliminary Official Statement"). The Preliminary Official Statement is herein referenced to as the Official Statement.

We are independent certified public accountants with respect to the District and the El Camino Hospital (the "Corporation") under Independence Rule 1.200.001 (formerly known as Rule 101) of the Code of Professional Conduct of the American Institute of Certified Public Accountants, and its rulings and interpretations.

We have not audited any financial statements of the Corporation or District as of any date or for any period subsequent to June 30, 2016. Although we have conducted an audit for the year ended June 30, 2016, the purpose (and therefore the scope) of the audit was to enable us to express an opinion on the consolidated financial statements of the District as of June 30, 2016 and for the year then ended, but not on the financial statements for any interim period within that year. [Therefore, we are unable to and do not express any opinion on the financial position, results of operations or cash flows of the Corporation as of any date or for any period subsequent to June 30, 2016.]

At your request, we have carried out procedures through _____, 2016, as follows:

1. Inquired of certain officials of the Corporation who have responsibility for financial and accounting matters whether: (1) there are any financial statements or data as of any date or for any period subsequent to June 30, 2016; and if so (2) there was any increase in long-term debt of the Corporation as compared with amounts shown on the Corporation's financial information in the consolidating schedules to the audited consolidated financial statements of El Camino Healthcare District at June 30, 2016.

Those officials stated that: (1) there were no financial statements or data as of any date or for any period subsequent to June 30, 2016; and (2) there was no increase in long-term debt of the Corporation as compared with amounts shown on the Corporation's financial information in the consolidating schedules to the audited consolidated financial statements of El Camino Healthcare District at June 30, 2016.

2. For purposes of this letter, we have also read the following as set forth in Appendix A to the Preliminary Official Statement [and the Final Official Statement], and performed the following related procedures:

Item	Description	a.	b.	c.	d.
1	“Selected Utilization and Financial Information - Summary Financial Information for the Corporation” – the dollar amounts	*	*		*
2	“Selected Utilization and Financial Information - Sources of Patient Services Revenue” – the percentages			*	
3	“Selected Utilization and Financial Information - Capitalization” – the dollar amounts and percentages	*		*	*
4	“Selected Utilization and Financial Information - Debt Service Coverage” – the dollar amounts and ratios	*		*	*
5	“Selected Utilization and Financial Information - Liquidity and Capital Resources - Days Cash on Hand” – the dollar amounts and ratios	*	*		*
6	“Management’s Discussion of Financial Operations - Fiscal Year Ended June 30, 2016 Compared to Fiscal Year Ended June 30, 2015” – the dollar amounts and the percentages				*
7	“Management’s Discussion of Financial Operations - Investments” – the percentages			*	

* The individual dollar amounts and percentages each procedure will be performed on were identified by you on the attached pages to be included in the Preliminary Official Statement and Final Official Statement and will be identified in the report on the application of agreed-upon procedures.

- Compare the percentages or amounts, rounded to thousands where indicated, to the corresponding percentages or amounts included in or derived from the consolidating schedules to the audited consolidated financial statements of El Camino Healthcare District included in the Preliminary and Final Official Statements.
- Compare the percentages or amounts, rounded to thousands where indicated, to the corresponding percentages or amounts included in or derived from the consolidating schedules to the audited consolidated financial statements of El Camino Healthcare District not included in the Preliminary and Final Official Statements.
- Compare the percentages or amounts, rounded to thousands where indicated, to the corresponding amounts included in or derived from the Corporation’s accounting records.
- Recalculate the percentage or dollar amount for mathematical accuracy.

For purposes of this letter and our report on the application of agreed-upon procedures, the phrase “compared”, as used in the procedures above, refers to the comparison of one or more data elements

to underlying documentation, for which the data elements and the underlying documentation have been found to be in agreement, unless otherwise indicated.

2. Our audits of the consolidated financial statements of the District for the periods referred to in the introductory paragraph of this letter comprised audit tests and procedures deemed necessary for the purpose of expressing an opinion on such financial statements taken as a whole. For none of the periods referred to therein, nor for any other period, did we perform audit tests for the purpose of expressing an opinion on individual balances of accounts or summaries of selected transactions such as those enumerated above, and, accordingly, we express no opinion thereon.
3. It should be understood that we have no responsibility for establishing (and did not establish) the scope and nature of the procedures enumerated in paragraphs 1. through 3. above; rather, the procedures enumerated therein are those the requesting party asked us to perform. Accordingly, we make no representations regarding questions of legal interpretation or regarding the sufficiency for your purposes of the procedures enumerated in the preceding paragraphs. Additionally, such procedures do not provide any assurance concerning the Corporation's (a) solvency, (b) adequacy of capital, or (c) ability to pay its debts; also, such procedures would not necessarily reveal any material misstatement of the amounts or percentages listed above as set forth in the Official Statement. Further, we have addressed ourselves solely to the foregoing data and make no representations regarding the adequacy of disclosures or whether any material facts have been omitted. This letter relates only to the financial statement items specified above and does not extend to any financial statement of the Corporation or consolidated financial statement of the District taken as a whole.
4. The foregoing procedures do not constitute an audit conducted in accordance with auditing standards generally accepted in the United States of America. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.
5. These procedures should not be taken to supplant any additional inquiries or procedures that you would undertake in your consideration of the proposed offering.
6. This letter is solely for your information and to assist you in your inquiries in connection with the offering of the securities, covered by the Official Statement, and it is not to be used, circulated, quoted, or otherwise referred to for any other purpose, including but not limited to the registration, purchase, or sale of securities, nor is it to be filed with or referred to in whole or in part in the Official Statement or any other document, except that reference may be made to it in any list of closing documents pertaining to the offering of the securities covered by the Official Statement.
7. We have no responsibility to update this letter for events and circumstances occurring after _____, 2016, other than to provide a bring down letter dated [closing date].

Very truly yours,

ATTACHMENT 7

ECH BOARD MEETING AGENDA ITEM COVER SHEET

Item:	Proposed FY17 Budget Revision El Camino Hospital Board of Directors October 12, 2016
Responsible party:	Iftikhar Hussain, Chief Financial Officer
Action requested:	For Approval
Background: <p>In the long term plan, we noted that we will need to go to the bond market sometime during the next three years to fund the capital projects. The exact timing depended on bond market conditions, and we prepared the FY17 budget without the additional debt. Due to historically low rates and good access to the capital market, staff are proposing to issue the bonds in October/November time frame. The attached schedule shows the revised FY17 budget to include the impact of these bonds:</p> <ol style="list-style-type: none"> 1. \$3.1 million increase in supplies and other expenses (cost of issuance) 2. \$5.4 million increase in interest 	
Other Board Advisory Committees that reviewed the issue and recommendation, if any: <p>Finance Committee – September 26, 2016</p>	
Summary and session objectives : <p>Obtain approval of revisions to the FY17 budget.</p>	
Proposed Board motion, if any: <p>To approve the revisions to FY17 budget.</p>	
LIST OF ATTACHMENTS: <p>Schedule showing original and revised budget</p>	

El Camino Hospital FY17 Budget Revised

El Camino Hospital (\$ in thousands)				
	FY2017 Budget Revised	FY2017 Budget Original	Change Favorable/ (Unfavorable)	% Change
REVENUES				
Net Patient Service Revenue	\$789,585	\$789,585	\$0	0.0%
Other Operating Revenue	25,059	25,059	0	0.0%
Total Net Revenue	814,645	814,645	0	0.0%
EXPENSES				
Salaries & Benefits	458,713	458,713	0	0.0%
Supplies & Other Expenses	243,122	240,022	3,100	1.3%
Interest	12,593	7,225	5,368	74.3%
Depreciation/Amortization	52,848	52,848	0	0.0%
TOTAL EXPENSES	767,275	758,807	8,468	1.1%
OPERATING INCOME	\$47,370	\$55,837	(\$8,468)	-15.2%
Non Operating Income	11,194	11,194	0	0.0%
NET INCOME	\$58,564	\$67,032	(\$8,468)	-12.6%
Operating EBIDA	\$112,810	\$115,910	(\$3,100)	-2.7%
Operating Margin Percentage	5.8%	6.9%		
KEY HOSPITAL INDICATORS				
Hospital Discharges, excl normal newborns	19,271	19,271	0	0.0%
Total Hospital Patient Days	89,574	89,574	0	0.0%
Acute Length of Stay	4.65	4.65	0.00	0.0%
Hospital Average Daily Census	245	245	0	0.0%

Other expense change consists of cost of issuance

El Camino Hospital & Affiliates FY17 Budget

Consolidated Revenue and Expense Budget (\$ in thousands)					
	El Camino Hospital	Concern	Foundation	SVMD	Total
REVENUES					
Net Patient Service Revenue	\$789,585	\$0	\$0	\$2,871	\$792,457
Other Operating Revenue	25,059	17,077	0	0	42,136
Total Net Revenue	814,645	17,077	0	2,871	834,593
EXPENSES					
Salaries & Benefits	458,713	5,474	1,553	1,066	466,805
Supplies & Other Expenses	243,122	9,466	1,660	3,451	257,699
Interest	12,593	0	0	0	12,593
Depreciation/Amortization	52,848	29	13	0	52,890
TOTAL EXPENSES	767,275	14,969	3,227	4,516	789,987
OPERATING INCOME	\$47,370	\$2,108	(\$3,227)	(\$1,645)	\$44,605
Non Operating Income	11,194	497	2,777	1,645	16,113
NET INCOME	\$58,564	\$2,604	(\$450)	(\$0)	\$60,719
Operating EBIDA	\$112,810	\$2,137	(\$3,214)	(\$1,645)	\$110,088
Operating Margin Percentage	5.8%	12.3%	0.0%	-57.3%	5.3%

ATTACHMENT 8

ECH BOARD MEETING AGENDA ITEM COVER SHEET

Item:	Quality, Patient Care and Patient Experience Committee ("Quality Committee") Report El Camino Hospital Board of Directors September 14, 2016
Responsible party:	David Reeder, Quality Committee Chair
Action requested:	For Discussion
Background: The Quality Committee meets 10 times per year. The Committee last met on October 3 rd and meets next on November 7 th 2016.	
Board Advisory Committee(s) that reviewed the issue and recommendation, if any: None.	
<p>Summary and session objectives: To update the Board on the work of the Committee.</p> <p>1. Progress Against Goals: The Committee is on track to complete its FY17 Goals.</p> <p>2. Summary of October 3rd, 2016 Meeting:</p> <ul style="list-style-type: none"> a. Overall Issues: The Committee was given red and orange alert updates. The Committee continued to discuss pain reassessment as a process measure and patient satisfaction scores of pain management as an outcome measure for a quality component of Patient Safety and iCare FY17 Organizational Goals. They also proposed a counter-measure for pain to assure narcotic safety. Dr. David Francisco gave a report on the work being done by the subcommittee of the medical staff to improve peer review processes. b. The committee discussed adding a new sepsis metric for the FY17 Exception Report since the specimen labeling error metric has been removed. The committee approved the addition of the metric which would measure minutes from Time of Presentation to IV crystalloid fluid order. The goal will be less than or equal to 120 minutes. Seven metrics are stable, yet responsiveness of hospital staff remains below average. 	
Suggested discussion questions: None.	
Proposed Board motion, if any: None.	
LIST OF ATTACHMENTS: None.	

ATTACHMENT 9

ECH BOARD MEETING AGENDA ITEM COVER SHEET

Item:	FY16 Community Benefit Dashboard and Annual Report El Camino Hospital Board of Directors October 12, 2016
Responsible party:	Cecile Currier, VP Corporate and Community Health Services and President, CONCERN, EAP Barbara Avery, Director, Community Benefit
Action requested:	Accept FY16 Community Benefit Report
<p>Background:</p> <p>We are pleased to present the FY16 El Camino Hospital Community Benefit Dashboard and Annual Report. The dashboard includes results achieved by the Hospital's 29 partners. Please note that there is also a dashboard for the El Camino Healthcare District which includes all the grants serving District residents. This dashboard will be presented at the October 18th District Board meeting.</p> <p>El Camino Hospital invested \$2,583,256 in grants and sponsorships in FY16.</p> <ul style="list-style-type: none"> • 33,734 people were served through community benefit grants <ul style="list-style-type: none"> ○ Healthcare Access – 10,473 people ○ Mental Health Access – 6,272 people ○ Healthy Eating, Physical Activity – 9,465 people ○ Community Health Education and Health Literacy – 7,524 people <p>Our grantees were very successful in achieving their program metrics. Of the 140 metrics, 90% were either met or exceeded. This represents a 6% increase over the mid-term metric data.</p> <p>Overall, El Camino Hospital provided \$52,987,510 in Community Benefit. Additionally, the Hospital provided \$102,104,525 in uncompensated Medicare. The hospital can be proud of the impact its generous support is having on addressing unmet health needs in the community. Thank you for your continued support. We look forward to another successful year in FY17.</p>	
Committees that reviewed the issue and recommendation, if any: None.	
Summary and session objectives: None.	
Suggested discussion questions: None.	
<p>Proposed Board motion, if any:</p> <p>To accept the FY16 Community Benefit Report.</p>	
<p>LIST OF ATTACHMENTS:</p> <ol style="list-style-type: none"> 1. FY16 El Camino Hospital Community Benefit Dashboard 2. FY16 Community Benefit Annual Report 	

Funds that were awarded, but not spent are always returned

- A metric receives a “red” dot if the target was not met by an excess of 10% of the target goal

Category	Partner	Goals/Metrics	Annual Target	Annual Total	Percent of ALL Annual Metrics Met	Comments
Health Care Access (Primary, Oral, and Chronic Conditions Care)	Santa Clara County Office of Education Early Head Start <i>FY16 Awarded: \$80,724 FY16 Spent: \$69,956</i>	Families Served	88	88	●	100%
		Services provided	500	519	●	
		Children meeting the Child Health and Disabilities Prevention periodicity schedule on time as required by age	95%	97%	●	
		Children coming under care who have not received all recommended procedures for an earlier age brought up to date as appropriate	90%	91%	●	
		Children with a dental home, receiving oral health exams and treatment as needed through services provided by portable dentistry	95%	95%	●	
		Parents participating in educational opportunities that promote benefits of preventive health care and safety practices thereby reducing chronic absences	25%	27%	●	
		Families with an identified need (per Family Needs Assessment) receiving services within 60 days with follow up conducted every 60 days	95%	97%	●	
	Superior Court of California, Santa Clara County Orthodontic Services for Foster Children and Youth <i>FY16 Awarded: \$68,144 FY16 Spent: \$68,144</i>	Youth who successfully have their braces	67	67	●	100%
		Youth who have completed treatment plan	44	46	●	
		Visits completed (defined as visits related to the application of the brackets monthly follow-up visits attended)	1,310	1,486	●	
		Youth at mid-treatment and completing orthodontic services who report being very happy with their orthodontic care	75%	93%	●	
	West Valley Community Services CARE <i>FY16 Awarded: \$150,000 FY16 Spent: \$150,000</i>	Social workers of youth at mid-treatment and completing orthodontic services who indicate that orthodontic care has had a positive impact on clients' wellbeing and self-esteem	75%	98%	●	100%
		Households in intensive case management	120	125	●	
		Clients receiving benefits	150	170	●	
		Clients participating in workshops and Education activities	50	208	●	
		Case managed clients who increased in 3 of the 18 domains measured by Self Sufficiency Index	80%	80%	●	
	West Valley Community Services Senior Case Management <i>FY16 Awarded: \$25,000 FY16 Spent: \$25,000</i>	Clients participating in workshops and other socialization activities to improve health	85%	85%	●	100%
		Individuals served	20	25	●	
		Encounters	240	250	●	
		Clients participating in workshops and activities	20	20	●	
		Isolated seniors connected to community services and improving their self-sufficiency and health	10	10	●	

*** Community Benefit Dashboard Notes:**

● A metric receives a "green" dot if the target was met, exceeded, or within 10% of the target goal

● A metric receives a "red" dot if the target was not met by an excess of 10% of the target goal

Category	Partner	Goals/Metrics	Annual Target	Annual Total	<div><div></div><div></div></div> Percent of ALL Annual Metrics Met	Comments	
Mental Health Access	Asian Americans for Community Involvement Healthy Ideas FY16 Awarded: \$50,000 FY16 Spent: \$50,000	Seniors screened	150	203	<div><div></div><div></div></div>	80%	
		Senior participants that enroll in Healthy IDEAS program	40	71	<div><div></div><div></div></div>		
		Healthy IDEAS program encounters	390	470	<div><div></div><div></div></div>		
		Enrolled clients who experience a decrease in score on Geriatric Depression Scale-15	85%	74%	<div><div></div><div></div></div>		
		Clients enrolled who complete pre and post survey who have gained new knowledge and skills to maintain mental health	85%	100%	<div><div></div><div></div></div>		
	Cupertino Union School District Counseling Services FY16 Awarded: \$100,000 FY16 Spent: \$100,000	Students served	170	133	<div><div></div><div></div></div>	75%	Complexity of student issues required more services, which resulted in fewer unique students served.
		Services provided	2,300	2,282	<div><div></div><div></div></div>		
		Students who improved on treatment plan goals by 20% in six months and 50% by the end of the school year as measured by counselor report	90%	85%	<div><div></div><div></div></div>		
		Students who improved from pre-test (at the beginning of counseling service) to post-test (prior to termination of services) on the Strength and Difficulties Questionnaire and Impact Assessment by 50%	75%	79%	<div><div></div><div></div></div>		
	EMQ FamiliesFirst Addiction Prevention Services FY16 Awarded: \$150,000 FY16 Spent: \$150,000	Youth and Parents/caregivers served	2,415	2,621	<div><div></div><div></div></div>	100%	
		Services provided	2,975	3,121	<div><div></div><div></div></div>		
		Youth participating in individual and group counseling who show at least 50% improvement in positive behavior and attitude	75%	84%	<div><div></div><div></div></div>		
		Youth participating in Holistic Intervention Prevention Partnership who show at least 50% improvement in change in high risk behaviors	81%	83%	<div><div></div><div></div></div>		
		Parents/caregivers who demonstrate an increase in knowledge of the topics presented and a better understanding of how to access services	95%	95%	<div><div></div><div></div></div>		
	Momentum for Mental Health Psychiatric Services for Low Income Adults FY16 Awarded: \$26,000 FY16 Spent: \$26,000	Patients served	22	23	<div><div></div><div></div></div>	100%	
		Services provided	180	190	<div><div></div><div></div></div>		
		Patients avoiding psychiatric hospitalization for 12 months after admission	90%	100%	<div><div></div><div></div></div>		
		Patients who demonstrate a 10% improvement on the Global Functioning Scale	95%	100%	<div><div></div><div></div></div>		
		Patients who demonstrate improvement on the Patient Health Questionnaire (PHQ-9) from admission to discharge	95%	95%	<div><div></div><div></div></div>		
Next Door Solutions NDS Support Group & Community and Crisis Support Services FY16 Awarded: \$50,000 FY16 Spent: \$50,000	Participants served	1,300	1,988	<div><div></div><div></div></div>	100%	The expansion of services, such as the addition of mobile advocacy, and an increase in outreach resulted in more referrals.	
	Services provided	17,000	20,015	<div><div></div><div></div></div>			
	Support Group participants who indicate they have reduced their isolation, anxiety, stress, or depression	70%	82%	<div><div></div><div></div></div>			
	Participants who indicate that participation in Support Groups has given them at least one strategy to increase their own safety	65%	83%	<div><div></div><div></div></div>			
	Participants that indicate that participation in the Crisis Counseling session has given them at least one strategy to increase their own and their children’s safety	67%	97%	<div><div></div><div></div></div>			

*** Community Benefit Dashboard Notes:**


● A metric receives a "green" dot if the target was met, exceeded, or within 10% of the target goal

● A metric receives a "red" dot if the target was not met by an excess of 10% of the target goal

Category	Partner	Goals/Metrics	Annual Target	Annual Total	Percent of ALL Annual Metrics Met	Comments
Mental Health Access	Peninsula Healthcare Connection Psychiatric Services <i>FY16 Awarded: \$80,202</i> <i>FY16 Spent: \$80,202</i>	Patients served Psychiatry, therapy, and/or case management visits Actively managed patients who obtain housing Psychiatric patients not hospitalized in a 12 month period	150 520 12 85%	367 581 13 87%	100%	Agency had the assistance of two additional volunteer physicians for the year.
	Santa Clara Unified School District Wellness Program <i>FY16 Awarded: \$100,000</i> <i>FY16 Spent: \$84,158</i>	Students served through the classroom intervention Students served in individual/group counseling Case management interactions Counseling sessions provided (individual or group) Students (receiving counseling services) who increased days of attendance (by 10% by 6 months, 25% by 1 year) compared to previous year Students receiving counseling services earning a 2.0 GPA or higher Reduction in total number of incidences of high risk behavior that may result in suspension or discipline referrals for students receiving counseling services compared to previous year	1,000 100 90 990 30% 25% 25%	935 86 118 548 36% 73% 24%	71%	Target was set too high and has been adjusted for FY17. A significant number of cases were at a crisis level (some requiring hospitalization) that took the full day which decreased the total number of services.
	Seniors Council Senior Companion Program <i>FY16 Spent: \$50,000</i> <i>FY 16 Spent: \$34,741</i>	Individuals served Services provided/encounters Clients who will improve Social Ties/ Social Support as measured annually using the Assignment Plan Clients who show improved participation in Activities as measured annually using the Assignment Plan	30 900 75% 75%	2 55 100% 100%	50%	Pilot program that aligns with Hospital's senior strategy; Year Two is showing success in achieving metrics.
	BAWSI Bawsi Girls <i>FY16 Awarded: \$15,000</i> <i>FY16 Spent: \$15,000</i>	Students served Average weekly attendance Focus Girls who self-report at least two positive effects of program participation after each season	110 80% 80%	128 82% 100%	100%	
	Challenge Diabetes Program Community Service Agency- Mountain View <i>FY16 Awarded: \$168,953</i> <i>FY16 Spent: \$113,731</i>	Clients served Participants enrolled in program Participants who complete Pre-screening and Post screening Participants with increased knowledge of risks and causes of Diabetes Participants who have made at least one life style improvement (increased consumption of fruits/vegetables, decreased consumption of high sugar/high fat foods, and/or Increased physical activity)	300 300 300 30% 40%	512 458 358 84% 41%	100%	The introduction of monthly newsletters and new classes reinforced core concepts of the program, resulting in improved knowledge.

* Community Benefit Dashboard Notes:

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Category	Partner	Goals/Metrics	Annual Target	Annual Total	Percent of ALL Annual Metrics Met	Comments
Healthy Eating, Physical Activity and Obesity	GoNoodle <i>FY16 Awarded: \$74,000 FY16 Spent: \$74,000</i>	Schools served	184	184	100%	Success attributable to strong teacher adoption and new position designed to educate and engage school staff. Success attributable to strong teacher adoption and new position designed to promote use.
		Active GoNoodle users as percentage of school staff	60%	59%		
		Number of GoNoodle physical activity breaks played	90,000	227,697		
		Student physical activity minutes achieved	4,500,000	14,023,225		
		Teachers who believe GoNoodle benefits their students' focus and attention in the classroom	80%	96%		
		Teachers who agree that GoNoodle Plus physical activity breaks are a valuable resource in helping their students succeed in core subjects	80%	98%		
		Teachers who are satisfied with GoNoodle physical activity breaks	80%	100%		
	Palo Alto Medical Foundation 5210 <i>FY16 Awarded: \$29,500 FY16 Spent: \$2,638</i>	Students served	4,562	6,500	100%	Program implemented in new schools, now serving all but one school in the Campbell Union School District.
		Students who report being active one or more hours per day after 5210	50%	53%		
		Students who limit sweetened beverage to 0-1 per day after 5210 engagement	70%	68%		
		Students who report the knowledge that a balanced diet includes eating 5 fruit vegetables per day after 5210 engagement	80%	79%		
	Playworks <i>FY16 Awarded: \$105,000 FY16 Spent: \$105,000</i>	Students served	2,305	2,325		100%
		Teachers/administrators reporting a decrease in bullying	90%	82%		
		Teachers/administrators reporting an increase in the level of student cooperation during recess	90%	100%		
		Teachers/administrators reporting increased number of students who are physically active and engaged in healthy play	90%	92%		
		Teachers/administrators reporting improvement in overall school climate	90%	100%		
Community Health Education and Health Literacy	Great Nonprofits Street Chats Pre-diabetes Initiative <i>FY16 Awarded: \$42,350 FY16 Spent: \$42,350</i>	Participants recruited	600	661		100%
		Completion rate for the Street Chat/text-based survey	75%	93%		
		Individuals who agree to participate in future Street Chats/text-based surveys	75%	84%		
	San Jose State University Research Foundation Falls Prevention in Santa Clara County <i>FY16 Awarded: \$70,000 FY16 Spent: \$70,000</i>	Individuals served	1,480	1,592		100%
		Health fairs, presentations, and trainings	31	40		
		Individuals reporting plans to change behavior after presentations	85%	96%		
		Matter of Balance class participants reporting: (a) improvements in confidence in their ability to find a way to get up if they fall, find ways to reduce falls, protect themselves if they fall, increase physical strength, be steadier on their feet; (b) reduction in concerns about falling, (c) increased exercise	85%	100%		
		Hits on the website	3,000	5,829		
		Organizations reached through Falls Prevention Awareness Day activities	30	30		

*** Community Benefit Dashboard Notes:**

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Category	Partner	Goals/Metrics	Annual Target	Annual Total	Percent of ALL Annual Metrics Met	Comments
Community Health Education and Health Literacy	Gardner Family Health Network Diabetes Prevention Program <i>FY16 Awarded: \$160,600 FY16 Spent: \$149,229</i>	Patients served Encounters provided (PCP visit, Registered Dietitian, HbA1c testing) Patients demonstrating weight loss Patients with a reduction in HbA1c level Patients who indicate satisfaction with the weight management program as measured by voluntarily completed customer surveys	600 1,800 50% 50% 70%	513 1,878 25% 25% 93%	40%	Three metrics were not achieved in this pilot due to: 1) targets that were too ambitious, 2) time to integrate program into clinic's workflow took longer than anticipated, 3) staffing challenges that resulted in a late start for program participants. FY16 outcomes were used to inform FY17 targets. A dedicated position has been added to ensure program success. Unused funds were returned.
	South Asian Heart Center <i>FY16 Awarded: \$400,000 FY16 Spent: \$400,000</i>	Participants served Services provided/encounters Increase in participants at optimal levels of physical activity (150 min/week) Increase in participants at optimal levels of vegetable consumption (3+ Increase in participants with optimal HDL-C levels (≥40 mg/dL male, ≥50 mg/dL	1,250 7,000 20% 25% 12%	2,250 6,475 43% 44% 16%	100%	Greater than expected number of new participants partly due to new blog and strong response from returning patients due to additional messaging.
	Chinese Health Initiative <i>FY16 Awarded: \$30,000 FY16 Spent: \$30,000</i>	Participants served Services provided/encounters Chinese seniors who receive information, resources or referral that help their access to care through CHI outreach and CHI call center Participants who strongly agree or agree that our education or screening help them better manage their health	125 250 40 85%	216 272 36 96%	100%	Collaboration with community partners to offer expanded services, including hypertension screenings and workshops, resulted in reaching a greater than expected number of participants.
	El Camino Hospital (Health Library and Resource Center- Los Gatos) <i>FY16 Awarded: \$63,672 FY16 Spent: \$63,672</i>	Patrons served Outreach Contacts Patrons who "strongly agree or agree" with the question, eldercare referrals appropriate to your needs Patrons who "strongly agree or agree" with the question, increased my knowledge of care options Patrons who "strongly agree or agree" with the question, the library has proven valuable in helping me manage my health or the health of a friend or family member Patrons who "strongly agree or agree" with the question, library information appropriate to your needs	1,400 350 95% 95% 75% 95%	1,363 504 100% 94% 74% 96%	100%	
	Palo Alto Medical Foundation linkAges <i>FY16 Awarded: \$50,000 FY16 Spent: \$50,000</i>	Participants enrolled Community members, nonprofit staff, healthcare professionals served through educational presentations Number of hours exchanged by participants linkAges members who are seniors (60+) or family caregivers that self-identify perceived value of program by active participation in the evaluation process Participating seniors will report increased connections with surrounding communities	1,000 1,200 1,500 20% 75%	929 1,207 1,937 15% 78%	80%	

*** Community Benefit Dashboard Notes:**

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● A metric receives a "red" dot if the target was not met by an excess of 10% of the target goal

2016

COMMUNITY BENEFIT REPORT

For the fiscal year ending June 30, 2016

Published: October 2016



EL CAMINO HEALTHCARE DISTRICT



El Camino Hospital®
THE HOSPITAL OF SILICON VALLEY

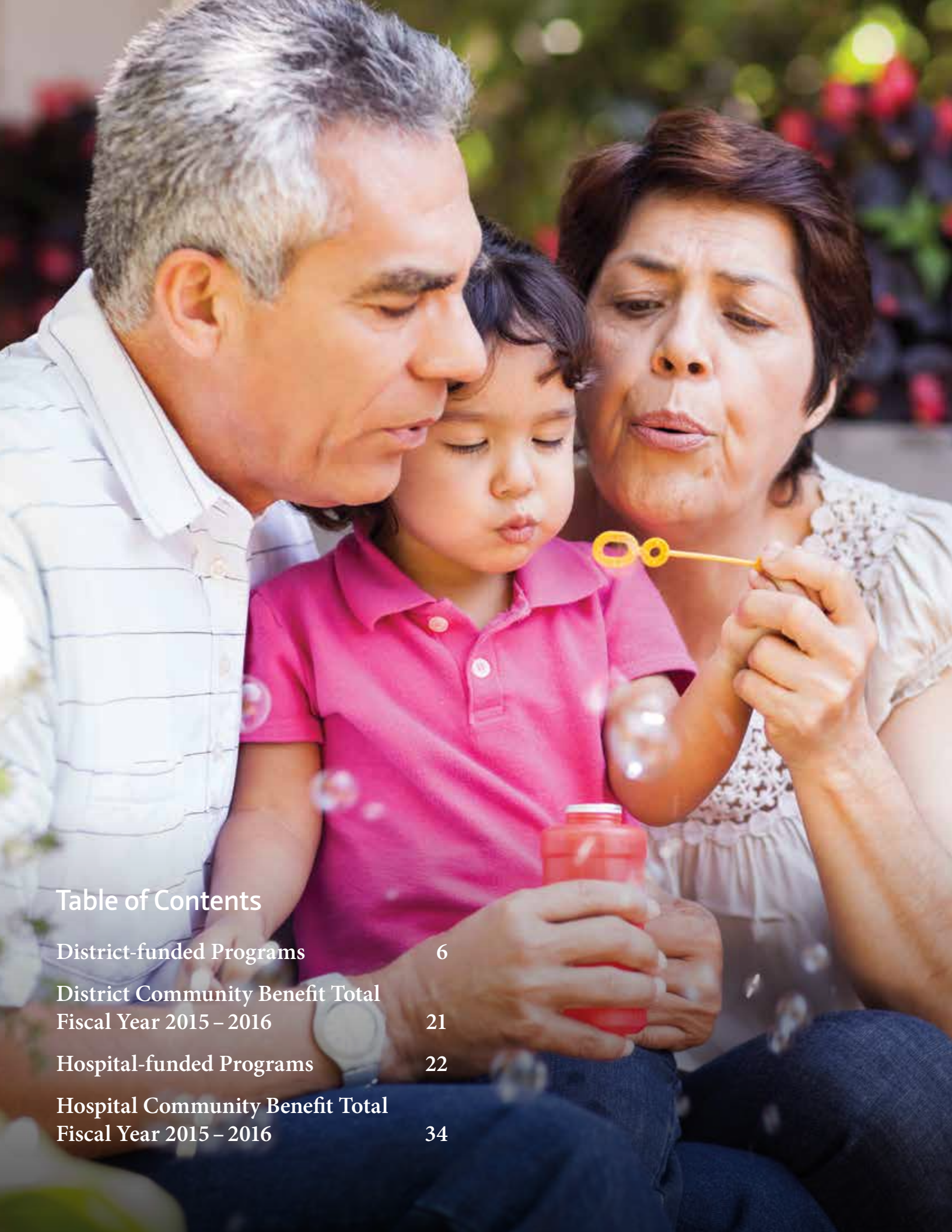


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2016

COMMUNITY BENEFIT REPORT

This report covers Community Benefit activities for El Camino Healthcare District and El Camino Hospital during fiscal year 2015 – 2016. This report is divided into two sections and contains descriptions, success stories, and a financial summary for each entity. Although El Camino Healthcare District and El Camino Hospital have separate, individually funded Community Benefit programs, both strive to improve the health and well-being of our community as a whole by investing in:

- Programs for the uninsured and those with barriers to vital care
- Activities that foster the overall health of the community
- Partnerships and sponsorships that strengthen the capacity of community health services

Additional El Camino Hospital Information

The 2016 Community Benefit Plan, 2016 Community Benefit Report, and Community Health Needs Assessment are available at www.elcaminohospital.org/communitybenefit

Additional El Camino Healthcare District Information

The 2016 El Camino Healthcare District Community Benefit Plan and 2016 Community Benefit Report are available at www.elcaminohealthcaredistrict.org/communitybenefit



COMMITTED TO IMPROVING COMMUNITY HEALTH

El Camino Healthcare District Community Benefit Program

El Camino Healthcare District makes a significant contribution to the health of the surrounding community through the Community Benefit program. The goal is to meet the needs of underserved and at-risk residents in the District boundaries. Through its funding of programs administered by agencies that include nonprofits, school districts, and other community-based organizations, the District makes a significant contribution to addressing unmet health needs in our community.

All funds are approved by the El Camino Healthcare District Board of Directors.

El Camino Hospital Community Benefit Program

El Camino Hospital is an independent, nonprofit organization committed to delivering personalized care that meets the needs of patients, their families, and the community as a whole. Under the umbrella of Community Benefit, the hospital supports other organizations with similar goals throughout the expanded service area, including West San Jose, Campbell, Los Gatos, parts of Cupertino, Saratoga, and Santa Clara. The hospital's Community Benefit efforts cover various categories:

- Providing financial assistance (charity care)
- Subsidizing qualified health services
- Training and education for health professionals
- Covering unreimbursed Medi-Cal costs

All funds are approved by the El Camino Hospital Board of Directors.

What Are the Unmet Health Needs in Our Community?

Every three years, El Camino Hospital conducts a community health needs assessment (CHNA) to identify Santa Clara County's most pressing health concerns. The CHNA combines public health data with community input gathered from public health experts, frontline service providers, clients/patients, and residents. The results are reviewed by the Community Benefit Advisory Council (CBAC), a group of community members with knowledge about the health disparities impacting the local community. The final report helps inform the decisions about which organizations to support with Community Benefit funds.

“Despite our area’s great prosperity, many do not have access to doctors, dentists, healthy food or sound health information. We partner with nonprofits, community clinics and school districts to fund critical, culturally appropriate programs. Every year, thousands of people receive primary care, dental care and mental health services. It takes more than a village and we have deepened our ongoing relationships with local organizations to be a key partner in our community.”

Cecile Currier, Vice President of Corporate & Community Health Services, El Camino Hospital, and CEO of CONCERN:EAP

How Are Community Benefit Funds Allocated to Meet Those Needs?

Once the greatest health needs are identified from the triennial CHNA, El Camino Hospital Community Benefit staff oversees the administration of the program for both the district and the hospital. Each year, they prepare individual plans for El Camino Healthcare District and El Camino Hospital, with valuable input from the CBAC. Prospective grantees submit detailed applications with their goals, budgets, and accountability metrics. Requests for funding are then carefully evaluated. Using the findings of the CHNA as a guide for documented needs, the CBAC reviews the applications and provides recommendations.

Programs selected for funding must address one of the four identified priorities:



OUR COMMUNITY BENEFIT GRANTS



Healthcare Access

15%

OF SANTA CLARA COUNTY
RESIDENTS ARE UNINSURED

Our Response:

- School nurses who provide screenings, case management, and link students to care
- Medical services for the uninsured and the homeless
- Dental care for adults
- Transportation to appointments for seniors



Mental Health

20%

OF YOUNG PEOPLE EXPERIENCE MENTAL
HEALTH CONDITIONS such as depression,
anxiety, eating disorders, academic stress,
and substance abuse

Our Response:

- Youth and adult counseling, psychiatric services, and medication management
- Youth emotional development programs
- Crisis intervention
- Domestic violence services



SUPPORT FOUR KEY HEALTH PRIORITIES



Healthy Eating and Physical Activity

18%

OF SANTA CLARA COUNTY
CHILDREN UNDER AGE 6 ARE OBESE,
Compared to the state (17%)

Our Response:

- Access to healthy food and nutrition education
- Programs encouraging physical activity and positive behavior in schools
- Raising awareness about consequences of poor nutrition and inactivity



Community Health Education

90%

9 OUT OF 10 ADULTS HAVE DIFFICULTY
USING EVERYDAY HEALTH INFORMATION
available in healthcare facilities, retail
outlets, media, and communities

Our Response:

- Health screenings, care referrals, and eldercare consultations
- Community events and culturally appropriate interventions
- Consumer health library and resources





EL CAMINO HEALTHCARE DISTRICT

2016 Community Benefit Programs

Fostering better health and quality of life for the people who live, work, and go to school in our community.

Dear Community Members,

Since our inception in 1956, the El Camino Healthcare District has sought to address our community's evolving health needs. Good healthcare options are available, but sadly, too many in our community remain underserved, uninsured, or experience other barriers to accessing healthcare and achieving a healthy lifestyle. The health needs in our community have also evolved over time, as has our understanding of the most appropriate, effective interventions and prevention strategies. Chronic conditions (such as diabetes, hypertension, obesity, and depression) present significant challenges to the well-being of our neighbors, and the climate in our schools.

In FY 2016, El Camino Healthcare District Community Benefit funds helped us meet the needs of our most vulnerable neighbors through partnerships with school districts, community service agencies, safety net clinics, and other nonprofits. Our Community Benefit grants supported programs such as the Valley Health Center Sunnyvale and the Lucile Packard Teen Health Van. We funded Medical Respite to give hospitalized homeless people a place to recover after discharge, and Momentum for Mental Health to provide case management for people with mental health conditions. We also continued to support programs providing nutritious meals, health and wellness education and helping to reduce bullying and risky behaviors among youth. In FY 2017 we are launching a District-wide Hypertension Initiative in partnership with the American Heart Association to combat the silent, deadly disease of high blood pressure.

Our Community Benefit partners' efforts have yielded meaningful results that benefit the entire community. It is important to understand that the best treatment of any disease is its prevention. We are honored to continue our ongoing partnerships with so many dynamic and effective organizations and are proud to be a part of these community health solutions.

Sincerely,



Peter C. Fung, MD, MS, FACP, FAAN, FAHA
FY16 Chair, Board of Directors, El Camino Healthcare District



EL CAMINO HEALTHCARE DISTRICT

Fiscal Year 2016 Grant Recipients

Community Services Agency – Mountain View
Cupertino Union School District
Immunization Program
Lucile Packard Foundation – Teen Health Van
MayView Community Health Center
Medical Respite Program
Mountain View Whisman School District
New Directions
Pathways Home Health and Hospice
RoadRunners Patient Transportation
RotaCare Clinic
Sunnyvale Community Services
Sunnyvale School District
Valley Health Center Sunnyvale
Working Partnerships USA



Community Health Awareness Council (CHAC)
Friends for Youth
Law Foundation of Silicon Valley – Mental Health Advocacy Project
Momentum for Mental Health
Mountain View Los Altos Union High School District
National Alliance on Mental Illness Santa Clara County (NAMI)



5210 Health Awareness Program
Bay Area Women's Sports Initiative (BAWSI)
GoNoodle
Hope's Corner
Living Classroom
Playworks
Sunnyvale Community Services



Alzheimer's Association
Cancer CAREpoint
Chinese Health Initiative
Day Worker Center of Mountain View
Eating Disorders Resource Center
Family and Children Services of Silicon Valley
Health Library & Resource Center
Mountain View – El Camino Hospital
South Asian Heart Center





PRIORITY 1

22,730

PEOPLE SERVED

50,420

SERVICES PROVIDED

Care When and Where It's Needed Most

Valley Health Center Sunnyvale

Valley Health Center Sunnyvale provides high-quality, cost-effective medical care to low-income families in northern Santa Clara County. The clinic serves as a medical home where patients can receive ongoing healthcare, including integrated mental health services. The partnership with El Camino Healthcare District helps fund the Valley Health Center's evening Express Care Clinics, which provide underserved patients with access to medical services. Dental care is another essential offering: Because the working poor can't afford dental care, they often suffer from dental disease and tooth loss. To make sure patients get the care they need, the Health Center offers appointments all day, five days a week, and extended evening hours.



ONE IN FIVE

MOUNTAIN VIEW RESIDENTS
LIVES BELOW 200% OF THE
FEDERAL POVERTY LEVEL.

Working Partnerships USA

Working Partnerships USA engages and mobilizes community healthcare organizations to provide medical coverage to uninsured individuals and families. Together with their partners and engaged community members, Working Partnerships persuaded the Santa Clara County Board of Supervisors to adopt the Primary Care Access Program, which helped local individuals get health insurance. However, many community members remained uninsured or underinsured. Many were undocumented Spanish speakers with little knowledge of English and South Asian immigrants with temporary work visas. To reach these vulnerable populations, Working Partnerships assembled and trained a Neighborhood Action Team of 20 bilingual and bicultural community outreach workers.

MayView Community Health Center

Were it not for MayView Community Health Center, many low-income individuals would need to seek care at emergency departments, even for non-emergency conditions. Instead, they receive convenient, compassionate care from one of MayView's three clinics. The clinics provide a broad range of services, including primary and preventive care for children and adults, perinatal services, acute care, management of chronic conditions, and health screenings. The clinics also provide counseling in the areas of nutrition, exercise, smoking cessation, and HIV/AIDS and STD prevention. Besides English, care providers also speak Spanish, Hindi, Telugu, Russian, Sinhalese, Farsi, Turkish, Gujarati, and Punjabi. Funding covers support for uninsured community members, immunization services for children, social work services, and chronic disease management.

Lucile Packard Foundation Teen Health Van

About a quarter of California children ages 0–17 are uninsured or underinsured. El Camino Healthcare District funds mobile health services to underserved and homeless teens, offering free medical care, counseling, and other vital programs. First-time visits last approximately one hour and include appointments with a doctor or nurse practitioner, social worker, and dietitian. Services range from complete physicals and immunizations, to acute illness and injury care, to gynecological care, STD testing, HIV counseling, and more.

Teens are assessed and referred to specialized counseling, for nutrition education, substance use, risky behavior reduction, and mental health conditions.

Sunnyvale Community Services Case Management

Sunnyvale Community Services is the safety net agency in Sunnyvale, serving the working poor, seniors, children, and the homeless. Through District funding, Sunnyvale Community Services provides comprehensive case management, advocacy, educational workshops, and benefit application assistance for the community's most vulnerable individuals and families. In its third year, the program has helped clients access medical equipment, eyeglasses, dental care, surgery, medication and housing assistance.

The Language of Caring

A 37-year old woman came to Mayview Community Health Center with breast pain. After her exam, the physician recommended an over-the-counter pain medication (Tylenol) and a referral for a mammogram. The patient was initially scared, fearing the unknown or that she had breast cancer. The physician spent additional time explaining the need to wait for mammogram results, while alleviating the pain with Tylenol. The patient, who did not speak English, was in tears and uncomfortable sharing her personal information. After a 20-minute conversation, the patient revealed that she could not afford Tylenol, prompting the physician to obtain the pain medication from the onsite clinic supply. The patient calmed down, left happier, and went through with her mammogram. The results were negative and everything was normal.

This is a typical story at Mayview — providing care and addressing barriers to wellness with sensitivity and compassion.

“Having this resource at school where I spend much of my time is very convenient. It has been a big help to me and to other kids who come from low-income families and don't have health insurance.”

Jessica Villeda, Former Patient, Teen Van

10%

OF SANTA CLARA COUNTY RESIDENTS LIVE
BELOW THE FEDERAL POVERTY LEVEL.

Healthcare Earns High Marks in Schools

Mountain View Whisman School District

Many of the students attending school in the Mountain View Whisman School District come from underserved families and are uninsured or underinsured. In the past, this school district had a high degree of student absenteeism related to uncontrolled or untreated illnesses in the student population. Children who miss a lot of school fall behind academically and are at risk for dropping out before they finish high school.

El Camino Healthcare District Community Benefit funded two of the school district's three full-time nurses, as well as a health aide. This level of staffing helped ensure students were able to receive treatment for minor illnesses and injuries occurring at school. Youth requiring nursing intervention to manage chronic illnesses got the help they needed, such as insulin shots for children with type 1 diabetes. Nurses followed through so that children who failed hearing, vision, or dental screenings saw a doctor for follow-up care. Funding also provided assistance for families who were having difficulty accessing the necessary resources for their children's healthcare.

Sunnyvale School District

The student population at Sunnyvale School District includes a high percentage of families with socioeconomic challenges. Currently, 36.8 percent of students receive free or reduced-fee lunches and 24 percent are English learners. Their families may be uninsured or underinsured. Over the past several years, funding from the El Camino Healthcare District Community Benefit Program has increased nursing staff for the Sunnyvale School District by 66 percent. A larger healthcare staff is needed to provide support and in-school management for children who are medically fragile or suffer from chronic conditions, such as muscular dystrophy, cerebral palsy, or neurological impairments. Nurses also worked with families to make sure children who failed health screenings got the timely medical follow-up they needed.

Help for the Homeless

Medical Respite Program

Most people who are hospitalized expect to recover in the comfort of home. But what if someone is homeless? Because they lack a safe, clean place to heal and recuperate, homeless patients are more likely to be hospitalized. El Camino Healthcare District Community Benefit's support of Medical Respite helps both the homeless and the community at large. Medical Respite provides a compassionate place for homeless patients to receive care after a hospital stay. While in Medical Respite, patients get assistance applying for public benefits and get help finding housing and a primary care home.

Serving Seniors Well

Community Services Agency – Mountain View

Santa Clara County is home to over 280,000 adults over the age of 65, accounting for 15.7 percent of the population. By 2030, 27.6 percent of residents will be over age 60. This shift is having a direct effect on community healthcare needs, as seniors typically develop multiple chronic medical conditions over time. Funding from El Camino Healthcare District Community Benefit Program helped Community Services Agency Mountain View and Los Gatos provide an intensive case management program for chronically ill seniors. Through an approach that combines nursing and social work, this agency assists seniors in finding services that help them stay healthy by reducing the risk of falls and avoiding unnecessary emergency room visits and hospitalization.

Pathways Home Health and Hospice

People who are uninsured or underinsured are generally unable to pay for the necessary home health services prescribed by their physician. Ending care prematurely can slow their recovery or result in a trip to the emergency department. With this grant, underserved patients obtained vital care through Pathways Home Health and Hospice. Pathways provides compassionate, family-centered, quality care for seriously ill patients. Services cover home healthcare, palliative care, and hospice care, and education for patients and caregivers.



Helping Seniors Get Around

RoadRunners Patient Transportation

Transportation can be a challenge for seniors who no longer drive or lack access to public transportation. In many ways, transportation is key to remaining independent. Without a ride, an older person can't get to a doctor's appointment, pick up prescriptions, or even just go the grocery store. In addition to driving people to medical appointments, RoadRunners provides door-to-door transportation to senior centers, local banks, and markets. The RoadRunners Transportation Program has a fleet of experienced, friendly drivers who provide thousands of rides each year. In addition to seniors, RoadRunners also provides rides to people with disabilities and others in need.



ONE IN SIX

OLDER ADULTS HAVE DIFFICULTY GETTING TO THEIR MEDICAL APPOINTMENTS
and other services needed to maintain independence.



PRIORITY 2

1,733

PEOPLE SERVED

11,712

SERVICES PROVIDED

Filling the Gaps in Mental Healthcare

Momentum for Mental Health

Many people with mental health conditions remain untreated due to lack of insurance or inability to pay. Without Momentum for Mental Health's La Selva Community Clinic, these vulnerable individuals would utilize hospital emergency rooms in times of crisis and risk losing employment when they get sick. Momentum for Mental Health strives to help people struggling with mental health conditions achieve mental and emotional stability, discover and reach their potential, and fully participate in life. This grant included services at La Selva Community Clinic such as psychiatric evaluations, medication management, case management, a medication subsidy program, group therapy, and social activities.

National Alliance on Mental Illness

The National Alliance on Mental Illness Santa Clara County (NAMI) provides education, comfort, and support for people struggling with severe mental health conditions, as well as for their families. NAMI's Peers on Discharge is the beginning of a comprehensive support system designed to help individuals transition from acute care and reintegrate into the community. This year, Peers on Discharge was able to provide part-time program coordinators to match individuals currently residing in psychiatric units with trained peer mentors. Funding also provided part-time salaries for the peer mentors to provide their clients with ongoing support and mentoring.

Mental Health Advocacy Project

People with mental health disabilities often have legal issues that prevent them from accessing health insurance, appropriate healthcare, and other safety-net services. Lack of insurance makes it hard for them to get mental healthcare and generate the medical records they would need to apply for disability benefits. The Law Foundation of Silicon Valley implements the Mental Health Advocacy Project, which provides onsite legal advisors to help people struggling with mental health conditions obtain the care and services they need.



Friends for Youth

Friends for Youth helps at-risk youth ages 8 – 17 avoid risky behaviors, build self-esteem, and develop coping skills and resiliency. Young people are paired with adult volunteers for long-term, one-on-one mentoring. Potential mentors, who go through a rigorous screening and training process, are carefully matched with their mentee. Mentors serve as role models and trusted friends. Mentees have the opportunity for new experiences that show them what is possible for their future while helping to guide them to healthy behaviors.

“I have felt more happy since meeting Karen. I get to go out to places I never usually go.”

Ingrid, Mentee, Friends for Youth

Emotional Support for Children and Teens

Community Health Awareness Council

El Camino Healthcare District Community Benefit Program funded two effective Community Health Awareness Council (CHAC) programs to help support students wrestling with issues such as depression, bullying, stress, and substance abuse. The programs, implemented at the Sunnyvale and Mountain View Whisman School Districts, provided counseling services and information and education about the dangers of substance abuse to students and their families. CHAC's Just for Kids program provided psychoeducation in emotional intelligence aimed at increasing emotional resilience in children.

Mountain View Los Altos High School District Mental Health Services

Students with unmet mental health needs are more likely to skip school. They are at risk for academic failure and some do not graduate. El Camino Healthcare District Community Benefit funds covered the cost for two licensed therapists in the Mountain View Los Altos High School District to help students and their families. Mental health counseling was offered both individually and in small group settings.



PRIORITY 3

18,309

PEOPLE SERVED

5,195

SERVICES PROVIDED

A Taste for Healthy Living

Hope's Corner

Every Saturday at Mountain View's Trinity United Methodist Church, located at the corner of Hope and Mercy Street, the Hope's Corner nutritious meals program serves a free breakfast and bag lunch to homeless and low-income individuals and families. Seniors make up 63 percent of those served. El Camino Healthcare District funds allowed Hope's Corner to serve quality, nutritious food, including plenty of fresh fruit and vegetables.

“When you are homeless, you need to stay healthy, and the food at Hope's Corner helps ... I am feeling better since you started serving more fruits and greens.”

Homeless guest, Hope's Corner



Living Classroom

The innovative Living Classroom program for grades K – 5 in the Mountain View Whisman School District takes kids “back to the garden” through engaging, hands-on lessons on gardening and nature. Children learn about the nutritional value of fresh fruits and vegetables through lessons that integrate Common Core science, math, and social studies standards. While gardening, students also enjoy outdoor physical activity. In addition, Living Classroom works with school food service personnel to incorporate recently harvested produce into the lunch menu, so that kids can enjoy the fruits — and vegetables — of their labor. Children involved in Living Classroom develop healthier nutritional habits and familiarity with how food grows to share with their parents and siblings, with the added benefit of spending more time outside.

“I’ve seen the kids making better choices in their lunches, and I make a big deal of it when I see them picking salad and other veggies. They tell me that they love the veggies, and they always ask to harvest sugar snap peas when they finish working.”

Patti Berryhill, Garden Manager, Living Classroom



Meeting Basic Needs through Partnership and Service

Sunnyvale Community Services Comprehensive Emergency Assistance

According to the Santa Clara County 2010 Health Profile Report, almost two out of 10 Sunnyvale residents and one out of five children under the age of 18 live below 200 percent of the Federal Poverty Level. Nearly 10 percent of Sunnyvale adults report that members of their household sometimes skip meals due to lack of money. Partnership with the El Camino Healthcare District allows Sunnyvale Community Services to provide food and emergency assistance to individuals and families. Clients get help paying for medication and settling outstanding medical bills.

Moving toward Healthier Youth

5210 Health Awareness Program

When it comes to reducing childhood obesity, 5210 is a magic number. The number is the name of a school-focused health campaign funded by El Camino Healthcare District in collaboration with Palo Alto Medical Foundation. The program promotes a health-enhancing lifestyle for kids, which can be summarized as 5210:

- Eat **five** or more fruits and vegetables
- Reduce recreational screen time to **two** hours or less
- Spend at least **one** hour being physically active
- Drink **zero** sweetened beverages

Playworks

Adopted by schools nationwide, Playworks is designed to encourage physical activity and safe, meaningful play during the school day. Playworks helps schools reduce bullying and behavioral issues by fostering a more positive schoolyard atmosphere, teaching children how to handle competition and resolve conflict without resorting to violence or abusive language. The El Camino Healthcare District Community Benefit Program funded Playworks at seven local schools, including the staffing of a full-time program coordinator/coach.

“Playworks gives students skills to make positive choices at recess. They have access to equipment, an understanding of game rules, and problem-solving strategies that allow them to be more active and involved at recess.”

Brian Schmedick, Teacher, Rosemary Elementary School

The El Camino Healthcare District also supported the Bay Area Women's Sports Initiative (BAWSI). See description on page 30.



“GoNoodle helps my students get some organized exercise in the classroom before they sit down for two hours of computer lab ... It really helps them get the wiggles out.”

Winnie Ngo, 4th Grade Teacher

Helping Kids Focus on Learning

GoNoodle

GoNoodle is a popular component of HealthTeacher, an online health education curriculum that helps K–12 teachers integrate health information into their teaching. The goal is to increase health literacy, promote exercise and healthy eating, and encourage kids to avoid risky behaviors such as alcohol consumption and tobacco use. GoNoodle was developed to help elementary school children focus and remain engaged during class. Teachers guide the kids through a series of guided “brain breaks,” accessed online. The brain breaks feature cartoon characters and Olympic athletes who guide the kids through breathing, stretching, and energizing exercises. Depending on the classroom atmosphere on a given day, breaks can be used to energize the classroom or calm everybody down.

I love GoNoodle like I love reading books. Getting up and moving during the school day makes me feel cool.

My favorite GoNoodle video is Feel so close, and if I didn't get to play it I would be sad. As a class, we maxed out 22 champs! I think every kid should GoNoodle because it is fun. Here's a drawing of my favorite Champ!

My favorite champ

Sincerely,
Jodi

GoNoodle



PRIORITY 4

25,214

PEOPLE SERVED

6,896

SERVICES PROVIDED

Health Education and Information

Health Library & Resource Center Mountain View – El Camino Hospital

Santa Clara County residents rely on the Health Library & Resource Center (HLRC) at El Camino Hospital for a wide range of educational resources, including the most current health and medical data. Membership is free, and patrons have easy access to extensive medical information in several languages. Knowledgeable librarians are available to help with in-depth medical searches. El Camino Healthcare District funds help pay for services and events offered by the HLRC, including free screenings, participation in community health fairs, and Advance Healthcare Directives. The Health Center also has eldercare consultants onsite to provide one-on-one consultations, referrals, and assistance for families caring for an aging relative.

Eating Disorders Resource Center

The Eating Disorders Resource Center provides screening, treatment, expert advice, support groups, and an online directory of resources for people struggling with anorexia, bulimia, or disordered eating.

Funded by El Camino Healthcare District, the Eating Disorder Awareness, Prevention, and Education Program targeted outreach to healthcare professionals, nonprofit organizations, schools, and community leaders with the goal of promoting the early detection and treatment of eating disorders.

Culturally Appropriate Care

Alzheimer's Association

The mission of the Alzheimer's Association is to enhance care and support for individuals affected by Alzheimer's and related forms of dementia.

Asian Dementia Initiative

This initiative serves to increase early detection and intervention for members of Chinese and Korean communities. Access to resources and support is provided for caregivers in both Mandarin and Cantonese.

Latino Family Connections

Latinos make up 26.8 percent of the population of Santa Clara County. Many Latino families live in multigenerational households with family members serving as caregivers for relatives with Alzheimer's or other dementias. When language is a barrier, access to resources and support can be especially challenging for families. El Camino Hospital funded part-time staff to develop marketing strategies for raising awareness of available programs and to lead outreach to the Latino community. Services included outreach events in Spanish, helpline services, and community presentations.

Chinese Health Initiative

The Chinese Health Initiative (CHI) raises awareness of health issues affecting the Chinese community, including hypertension, lung cancer, hepatitis B, and liver cancer. The initiative collaborates with El Camino Hospital's Stroke Center, Cancer Center, and Women's Hospital to host educational events and screenings for conditions affecting the Chinese community.

To provide Chinese community members with doctors who speak Mandarin or Cantonese, the Chinese Health Initiative launched a Chinese-Speaking Physician Referral Network, which currently is comprised of 100 physicians. The program also distributes bilingual health education information at key Chinese community events, including the September Fall Festival, Alzheimer's Association Annual Chinese Conference, Chinese American Semiconductor Professional Association Annual Conference, and Tzu-Chi Winter Health Fair.

In addition, CHI is collaborating with the Chinese American Coalition for Compassionate Care to provide Chinese patients with culturally sensitive end-of-life care.

The El Camino Healthcare District also provided support for the South Asian Heart Center. See description on page 32.

Giving a Family Much Needed Respite

Mrs. P comes from Jalisco, Mexico, a community where there are an unusually high number of early onset Alzheimer's cases. Several of Mrs. P's relatives, including her father, died from the disease. Sadly, Alzheimer's did not spare Mrs. P: she was just 41 when she was diagnosed. At 45, she is now bedridden and can no longer speak.

Mrs. P and her husband have three children ages 21, 18, and 15. The 21-year-old has a job, and the other two children are in school. Mr. P works long hours, and his mother and children take turns caring for his wife. Having heard about the family's situation, a staff member at Alzheimer's Association's Latino Family Connections talked to Mr. P about hospice and sent him an application for a respite grant. As a result, Mrs. P is now under hospice care. Hospice has provided the family with a hospital bed, medical items they need to care for her, and a lift so caregivers don't have to pick Mrs. P up every time she needs to be moved.

When Latino Family Connections staff members visited the family recently, they found Mrs. P sitting in a recliner. Her mother-in-law was feeding her fruit, and her husband was by her side. "My wife knows when I am around," Mr. P explained. "She laughs out loud and gets excited when she hears my voice." He made sure his visitors knew just how grateful he was for Latino Family Connections' assistance. "You don't know how much this means to me that you care."

"Because the consultation was conducted in Chinese, I could fully express myself as well as clearly understand the dietitian's explanations. Thank you for offering such a service. I hope you can continue the program to help more people, especially to those communities who speak Chinese."

Shirley Jeng, Participant, Chinese Health Initiative



Reaching Out to Those in Need

Day Worker Center of Mountain View

According to the U.S. Department of Health and Human Services, Latino adults are nearly two times more likely to be diagnosed with diabetes than non-Hispanic Caucasians. They also have higher rates of end-stage kidney disease and are 40 percent more likely to die from diabetes. Latinos also have some of the nation's highest rates of obesity, prediabetes, and unhealthy food consumption — even among those who are food-insecure. The Day Worker Center of Mountain View focuses on helping Latino day workers reduce their risk for obesity, prediabetes, and diabetes. El Camino Healthcare District Community Benefit funds helped the Center provide 300 nutritious breakfasts and lunches six days a week (15,600 meals) during the year. The Center was also able to add healthy, low-cost local produce to its food donations.

Cancer CAREpoint

Roughly 10,000 Silicon Valley residents receive a cancer diagnosis each year. Another 61,000 of our community members are already living with cancer. Cancer CAREpoint's mission is to provide free, non-medical support services to cancer patients and their families, regardless of their cancer type, care provider, or insurance status. Services include counseling, classes in nutrition and movement, educational workshops, support groups for patients and caregivers, survivorship workshops, and access to yoga and other integrative treatments.

“I can't say enough about how wonderful Cancer CAREpoint has been for me and my grandson. We would be lost without them.”

Sandra, Cancer Survivor

Family and Children's Services of Silicon Valley

According to an estimate by the Centers for Disease Control and Prevention, one third of women in the United States experience physical violence from a partner or spouse at some point in their lifetime. Unfortunately, domestic violence remains greatly underreported by both the victims and hospital emergency departments. Survivor Services, a program of Family & Children Services Silicon Valley, provides individual and family counseling, outreach, advocacy, and support to victims of domestic abuse and their children. With this grant, the organization hired a half-time clinical case manager, and part-time mental health and outreach specialists.

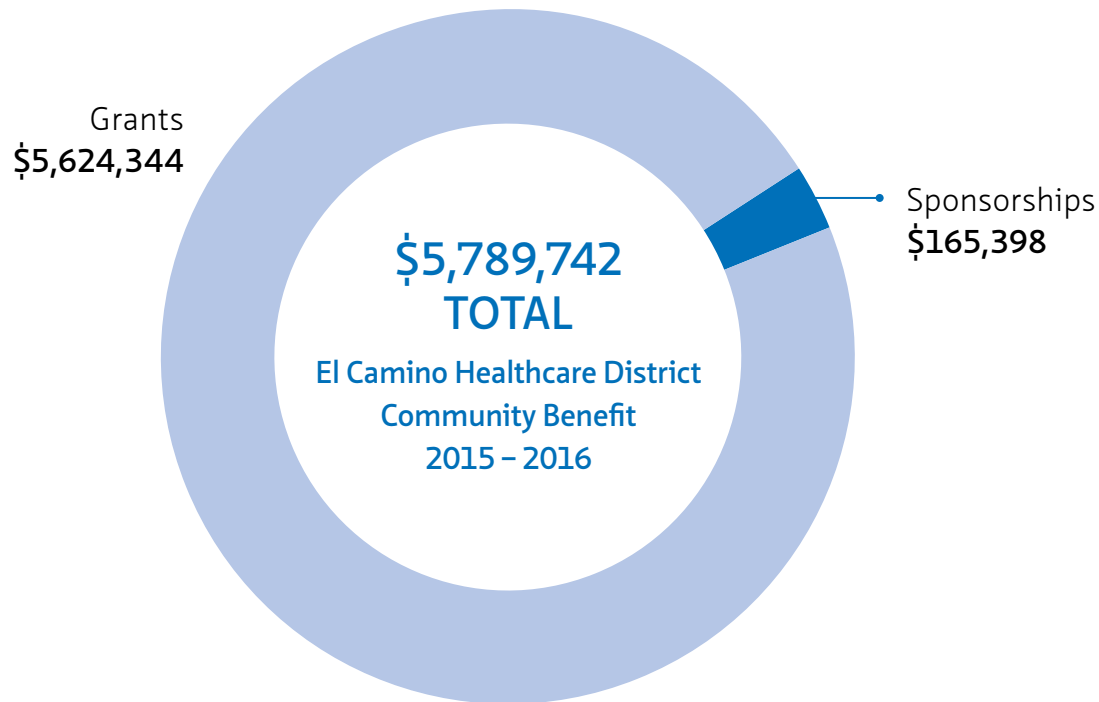
“Before, when I came to the Center in the mornings I always had donuts ... I usually had Coke with my breakfast. Now there are no donuts or cakes. Our breakfast has bananas and soups. Now I drink water or skim milk with my meal. I told my wife and son about how we need to eat good food so we don't get fat or have bad blood or diabetes.”

Client, Day Worker Center



EL CAMINO HEALTHCARE DISTRICT

FINANCIAL ACCOUNTING



EL CAMINO HEALTHCARE DISTRICT

Fiscal Year 2016 Sponsorship Recipients

A Santé – Support for RotaCare Clinic Mountain View
Adolescent Counseling Services
Alzheimer’s Association
Catholic Charities
City of Mountain View – Senior Health Fair
City of Sunnyvale – Senior Health Fair
Community Services Agency Mountain View
Family & Children’s Services of Silicon Valley
Foundation for Mental Health
Healthier Kids Foundation
HomeFirst

Hospice of the Valley
Pacific Stroke Association
Pathways Home Health & Hospice
Rebuilding Together Silicon Valley
Silicon Valley Leadership Group – Salad Bars for Schools
Skoolcare
Sunnyvale Community Services
Sunnyvale Fit and Fun Fair
Sunnyvale Police Activities League – Camps for At-Risk Youth
Sunnyvale Rotary Foundation – End Kids Hunger in Sunnyvale
Valley Medical Center Foundation



El Camino Hospital®
THE HOSPITAL OF SILICON VALLEY

2016

Community Benefit Programs

Dedicated to improving the
health of our community.

Dear Community Members,

El Camino Hospital has cared for and partnered with this community for over half a century. We are the area's comprehensive resource for 24/7 emergency services, mother-baby care, mental health, men's and women's health, and exceptional cardiovascular and cancer care. Our excellent health outcomes and broad array of awards and certifications have attracted some of the nation's finest physicians, as well as a stellar nursing team. As a nonprofit, locally governed healthcare organization, we never lose sight of our broader mission extending well past our hospital campuses. To this end, the El Camino Hospital Community Benefit program supports educational programs, health-promoting activities, screenings, mental health services, and expanded access to care throughout the community.

In recent years, the San Francisco Bay Area housing crisis has become a major driver of unmet health needs in our community. Rents are up 50 percent since 2010 and have risen 10 percent in just the past year. When people spend half of their income or more on rent, they often need to cut back on other basic needs, such as insurance, healthcare, medicine, and nutritious food. Housing insecurity can also lead to depression, stress, and family strife. In Fiscal Year 2016, El Camino Hospital Community Benefit funds helped address the challenges these circumstances present to maintaining good health. Our grants supported wellness programs, funded school nurses, and allowed uninsured and underinsured individuals of all ages to get medical and dental care. We funded initiatives to educate people about exercise, nutrition, diabetes, hypertension, stroke, substance abuse, and healthy lifestyle choices. In addition, we continue to underwrite the cost of emergency services and other essential community programs.

Looking ahead, the tri-annual Community Health Needs Assessment conducted in FY16 will inform our grantmaking and promote partnerships addressing the most needed interventions and services. We are extremely grateful for the critically important work our grantee partners do to make our community stronger and healthier. We look forward to another year of great service.

Sincerely,



Neal H. Cohen, MD, MPH, MS
FY16 Chair, Board of Directors, El Camino Hospital



EL CAMINO HOSPITAL

Fiscal Year 2016 Grant Recipients

Cambrian School District
Campbell Union School District
Cupertino Union School District
Early Head Start
Foster Children's Orthodontic Program
Medical Respite Program
RoadRunners Patient Transportation
West Valley Community Services



Asian Americans for Community Involvement (AACI)
Cupertino Union School District
Momentum for Mental Health
Next Door Solutions to Domestic Violence
Peninsula HealthCare Connection
Santa Clara Unified School District
Seniors Council
Uplift Family Services



5210 Health Awareness Program
Bay Area Women's Sports Initiative (BAWSI)
Challenge Diabetes Program
GoNoodle
Playworks



Chinese Health Initiative
Citizen Insights Pre-diabetes Project
Falls Prevention in Santa Clara County
Gardner Family Health Network
Health Library & Resource Center
Los Gatos – El Camino Hospital
linkAges
South Asian Heart Center





PRIORITY 1

10,473

PEOPLE SERVED

4,354

SERVICES PROVIDED

Caring for the Community's Most Vulnerable

Financial Assistance

Under the hospital's financial assistance guidelines, qualifying individuals who cannot pay for medically necessary hospital services are eligible for a fee reduction. Some may qualify for elimination of their hospital bill. This policy applies to both inpatients and outpatients whose family income level is less than four times the federal poverty level.

Medi-Cal

Medi-Cal is a public health insurance program that provides needed healthcare services for low-income individuals. Recipients include families with children, seniors, people with disabilities, children in foster care, and pregnant women. Medi-Cal is financed equally by the state and federal government.

Training Tomorrow's Healthcare Professionals

Education and Training

El Camino Hospital provides trainee positions in nursing, radiology, clinical laboratory, behavioral health, cardiac and pulmonary rehabilitation, respiratory medicine, and other specialties. This serves two purposes: to provide new health workers with the valuable experience they need and to ensure that our community has a sufficient number of highly trained healthcare professionals. The hospital also supports interns, practicum students, and post-doctoral fellows in mental health services.

West Valley Community Services CARE — Senior Case Management

West Valley Community Services (WVCS) offers community-based geriatric case management for low-income older adults. Services include food pantry, clothing, housing, transitions assistance, financial assistance, family support, information, and referrals. With Community Benefit funds, WVCS was able to hire a part-time case manager, perform weekly check-ins and home visits with clients, coordinate services with other local programs targeting seniors, and assess its clients' independence using the self-sufficiency matrix.

CARE Program

West Valley Community Services' CARE program (Community Access to Resources and Education) provides underserved individuals and families with comprehensive case management. Due to the high cost of living in Silicon Valley, many WVCS clients lack health insurance and are unaware of the services that may be available to them. They rely on WVCS to help them access food, family support, housing, and financial assistance. Community Benefit funds support a full-time case manager and program coordinator who provide case management, help community members apply for public benefits, and conduct educational workshops.

A Family Gets Back on Its Feet

Brenda had always been a full-time homemaker when her husband Edwin was laid off unexpectedly from a high-paying job. He spent months looking for work while his family lived off their rapidly dwindling savings. Brenda turned to West Valley Community Services for help. Her case manager enrolled her in the Financial Empowerment Program. She also told Brenda about the Food Pantry and sent her to a benefits clinic where Brenda learned how to obtain CalFresh and Medi-Cal benefits and enroll in programs such as the PG&E low-rate energy program and low-cost Internet services. Within three months, Edwin found a full-time job with benefits through the United States Postal Service. Meanwhile, Brenda attended a career-search workshop at WVCS where she was able to create a resume and refine her interviewing skills. Eventually, Brenda was offered a part-time administrative position at an insurance company.

“This year, El Camino Hospital provided nearly \$53 million in Community Benefit, which includes financial assistance, uncompensated MediCal, grants, sponsorships, and other vital services. We partner with organizations that have the expertise to improve the health of our most vulnerable community members. By funding school nurses, mental health services, senior programs, and initiatives to increase awareness about conditions such as pre-diabetes, El Camino Hospital demonstrates a strong commitment to the community it serves.”

Barbara Avery, Director, Community Benefit, El Camino Hospital



Stay Well to Learn Well

For many of our community's children, healthcare means one of two things: a visit to the school nurse or a trip to the emergency department. Indeed, the school nurse is often the only healthcare provider these young people ever see. For this reason, school-based health programs are essential to the well-being of many of our community's children. To help them stay healthy, El Camino Hospital provided support to various school-based programs in public schools with large numbers of at-risk students.

School Nurses

Traditionally, kids would go to the school nurse with a stomachache or skinned knee. But in our school districts, nurses face bigger challenges:

- Many of the students they see lack pediatric care. Nurses are often the first to diagnose them with health issues like scoliosis, hearing loss, or poor vision. In fact, the school nurse may be the only healthcare professional some students see all year.
- Students often have severe dental problems. Some may have bad dental pain that makes it hard to concentrate on school, while others may have self-esteem issues because of discolored or missing teeth.
- Nurses are often responsible for the care of children who are medically fragile or have serious conditions such as asthma, diabetes, and mental health conditions.

Shrinking budgets require nurses to cover a large number of students within a school district and make these challenges even harder to take on.

“School nurses are critical when the parents don’t know what to teach and there may not be a regular dental home for a child. The school nurse is a trusted resource who can emphasize the importance of daily oral health practices, along with many other good health messages.”

Candace Roney, Executive Director, Santa Clara County Dental Society



Campbell Union School District

El Camino Hospital Community Benefit funds supported two additional full-time school nurses and a health aid for the district's nine elementary and three middle schools. Funding provided case management for children with chronic illnesses and helped the families of students who failed a health screening make sure their child obtained follow-up care. (Dental screenings were provided by dentist volunteers through the SCC Dental Society program). Community Benefit funds also covered CPR and first aid training for the school staff.

Cupertino Union School District

Several schools within the Cupertino Union School District have a high proportion of underserved students. Three schools in particular have a greater number of students who qualify for free and reduced-cost lunches. Funding from El Camino Hospital supported an additional school nurse and a part-time health aide to serve these schools. The School Nurse Program provided services including case management for medically fragile or chronically ill students. School nurses collaborated with the Santa Clara County Dental Society to provide oral health screenings for the students. The nurses also made referrals to health providers, dentists, health insurance programs, and other community health resources.

Good Health Starts Early

Foster Children's Orthodontic Program

Foster children rarely have access to orthodontic services because so few Santa Clara County dentists and orthodontists take Denti-Cal patients. Many of these teens have been abused and neglected and have already gone for lengthy periods of time without medical or dental care. The Superior Court of California, County of Santa Clara, in partnership with the county's Social Services Agency, Department of Family & Children Services, and the orthodontic community, implements the Orthodontic Services for Foster Children and Youth program to help those with serious oral health problems receive much-needed orthodontic care. In its fourth year as an El Camino Healthcare District grant recipient, the program had nearly 70 youth enrolled and completed more than 400 orthodontic appointments.

Early Head Start

It's no secret that children from low-income families are at risk for adverse health and developmental outcomes. What's more, the risk starts before birth, because underserved mothers-to-be may not receive prenatal care, eat properly, or take prenatal vitamins. Early Head Start provides educational, social, medical, dental, nutritional, and mental health services to low-income pregnant women and to children ages 0–3. El Camino Hospital Community Benefit Program funded a family advocate for Santa Clara County's Early Head Start Program. The advocate helped families find primary care providers, connected them to available health resources, and coordinated translation and transportation services. As a result, 88 percent of children identified as needing treatment for conditions such as anemia, asthma, and anaphylaxis received the appropriate treatment.

El Camino Hospital also funded RoadRunners Patient Transportation. See description on page 11.



PRIORITY 2

6,272

PEOPLE SERVED

27,380

SERVICES PROVIDED

Support and Understanding for Teens

El Camino Hospital's Community Benefit program has a deep commitment to addressing unmet mental health needs among youth in our community. Ongoing partnerships with local school districts include the following school-based counseling programs.

Campbell Union High School District – Uplift Family Services

Underserved youth often wrestle with a host of challenges such as substance abuse, bullying, violence, gang issues, depression, eating disorders, poor school attendance, sexual abuse, and suicidal thoughts. Community Benefit funds supported two vital mental health programs for at-risk youth in the Campbell Union High School District through Uplift Family Services (formerly EMQ FamiliesFirst):

- Addiction Prevention Services provide substance abuse prevention, intervention, and post-intervention services for students. The program conducts individual and group counseling, classroom workshops, education for parents and teachers, and family case management.
- The Child and Adolescent Mobile Crisis Program provides services countywide to young people in crisis. Mobile crisis clinicians trained in therapeutic crisis intervention are on call 24/7 to respond to youth in immediate danger of harming themselves or others.
- Uplift Family Services conducts school-based suicide prevention training for parents, teachers, caseworkers, and coaches. In addition, the program gives classroom presentations on depression and suicide using a program called Linking Education and Awareness of Depression and Suicide. This special curriculum helps young people understand depression and suicide, and learn the warning signs and how to access available resources.

Santa Clara Unified School District Mental Health Services

El Camino Hospital Community Benefit funds were used to hire a licensed therapist for K – 12 schools in the Santa Clara Unified School District, serving 13,000 students in San Jose, Santa Clara, and Sunnyvale. The therapist offers school-based one-on-one and group counseling, classroom intervention using established curriculum, parent education and support, case management, and referral to outside agencies.

Cupertino Union School District Mental Health Services

The Cupertino Union School District encompasses parts of San Jose, Sunnyvale, Saratoga, Santa Clara, and Los Altos and serves over 16,000 K – 8 students. Program funding was used to hire four family therapists. The therapists offer individual and group counseling as well as parent education and support. They also provide early identification of mental health conditions and case management, and refer children and/or their family members to free or low-cost services.

Mental Health Services for the Poor and Vulnerable

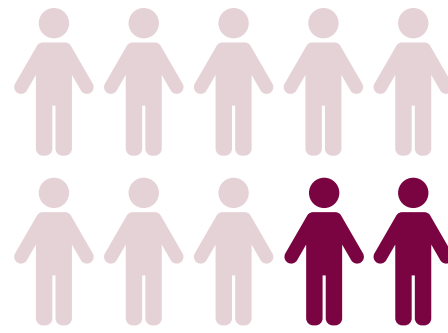
Volunteer physicians at community clinics across Santa Clara County are seeing more and more people in need of psychiatric care and medication management. Accessing mental healthcare is especially difficult for low-income individuals, many with no insurance.

Peninsula HealthCare Connection

According to the 2013 Santa Clara County Homeless Census and Survey, 54 percent of chronically homeless individuals reported having a mental health condition, and 37 percent believe access to mental health services could have prevented them from becoming homeless.

Community Benefit funds supported Peninsula HealthCare Connection, a free clinic that provides primary and mental healthcare to people who are either homeless or at risk for homelessness. Through intensive case management, PHC works to stabilize individuals with mental health conditions. They also seek shelter for the most vulnerable members of the homeless population.

El Camino Hospital also supported Momentum for Mental Health. See description on page 12.



In a given year, **20% OF YOUNG PEOPLE** experience mental health conditions such as depression, anxiety, eating disorders, academic stress, and substance abuse.

Asian Americans for Community Involvement

In Santa Clara County, 28 percent of the 280,000 people over age 65 are Asian. According to the Santa Clara County Seniors' Agenda, Asian seniors in our community have the highest poverty rates and one of the highest suicide rates compared to other racial and ethnic groups. In order to identify and aid underserved low-income Asian seniors struggling with depression, Asian Americans for Community Involvement (AACI) implemented the Healthy IDEAS program. After receiving an initial screening, clients participated in a variety of wellness activities and educational programs designed to reduce depressive symptoms. Seniors who exhibited more severe symptoms of depression were referred to medical/mental health providers.

Addressing Domestic Violence

Next Door Solutions to Domestic Violence

Next Door Solutions to Domestic Violence (NDS) provides institutional advocacy, crisis intervention, and education for victims and the community. Its emergency shelter offers 24/7 safe housing and crisis counseling for women and children. Clients receive education about domestic violence, including strategies to protect themselves and their children, and techniques to enhance their self-esteem and emotional resiliency. NDS also offers several support groups, including a new support group added this year for male survivors. A Self-Sufficiency Program trains survivors in job readiness, financial fundamentals, organizational skills, and more. The program is working to change community perceptions of domestic violence among the diverse ethnic and low-income families in Santa Clara County. NDS offers support groups in both English and Spanish, as well as a yoga/meditation support group.



PRIORITY 3

9,465

PEOPLE SERVED

832

SERVICES PROVIDED

Transforming the School Experience

El Camino Hospital is a strong supporter of efforts to increase healthy eating and physical activity throughout the community. Funds from the hospital's Community Benefit program go to some of the same dedicated grantees that are supported by the District:

Playworks strives to make recess a positive experience by giving children opportunities for physical activity and safe, meaningful play.

5210 Health Awareness Program works to educate school kids to make healthy choices in both foods and activities.

GoNoodle helps increase health literacy; encourages kids to embrace good nutrition and exercise; and teaches how to avoid alcohol consumption, tobacco use, and other risky behaviors.

See broader descriptions of these programs on pages 16–17.

Bay Area Women's Sports Initiative

Having a "big girl" to look up to inspires and motivates younger girls. That's the idea behind the Bay Area Women's Sports Initiative (BAWSI). This after-school fitness and confidence-building program trains female high school and college athletes to mentor and exercise with young girls in grades 3–5. BAWSI emphasizes teamwork, good nutrition, and exercise.

“The girls on our campus have thoroughly enjoyed and benefited from having BAWSI at San Miguel this past year. We have seen that our girls are more confident at recess, more apt to speak up in class, and more physically fit.”

Christina Ballantyne, Principal, San Miguel Elementary



Tackling the Diabetes Epidemic

Challenge Diabetes Program

To help combat the high rate of diabetes in our county, Community Services Agency of Mountain View and Los Altos, Sunnyvale Community Services, and West Valley Community Services have partnered with Second Harvest Food Bank to offer the Challenge Diabetes Program. This free program's goal is to reduce the chances of acquiring or exacerbating type 2 diabetes while increasing participant knowledge about the risks and causes of diabetes, how to manage the disease, nutritious food options, and the value of physical activity. Participants are screened at enrollment for prediabetes or type 2 diabetes and have the opportunity to enroll in the program and receive monthly food bags, educational information, and a referral to local healthcare clinics.

Gaining Control of Her Blood Sugar and Her Life

Iris was working full time as a caregiver when she suffered a heart attack that landed her on permanent disability. With Social Security income barely enough to cover her rent, she sought help from West Valley Community Services. Her case manager connected Iris to the food pantry and helped her gain reliable transportation through the TAP program. Iris learned how to budget, paid off her debt, and began a savings plan. Then, she discovered a WVCS program she'd never even considered: Challenge Diabetes. After enrolling in the program, Iris got so adept at managing her diabetes, her doctor eventually discontinued her medication!



PRIORITY 4

7,524

PEOPLE SERVED

10,853

SERVICES PROVIDED

Culturally Appropriate Care

Citizen Insights

Citizen Insights, a project of Great Nonprofits, developed a valuable text message survey on health and diabetes that led to key insights about the incidence and potential reduction of type 2 diabetes in the Hispanic/Latino population:

- Over 70 percent of Latinos have a family history of diabetes/prediabetes
- Latinos are more likely than any other racial group to drink soda and other sweetened beverages such horchata, aguas frescas, and juice
- 40 percent of the survey participants did not have health insurance
- 83 percent expressed an interest in learning new, tasty recipes

These findings point to a need for education and intervention. The conclusion was that messaging should be family-centric, emphasize living longer, and offer healthy recipes. Preferred methods of communication would be video/YouTube, email, and brochures.

South Asian Heart Center

South Asians — people who trace their origins to India, Pakistan, Bangladesh, Nepal, or Sri Lanka — have heart attacks at much younger ages than the general population. Many are mostly vegetarian, maintain a healthy weight, and don't smoke, yet coronary artery disease is the number one cause of death and hospitalizations among California South Asians. In addition, they are four times more likely to develop diabetes. Using a culturally sensitive lifestyle approach, El Camino Hospital's South Asian Heart Center is working to reduce the high incidence of cardiovascular disease and diabetes in the South Asian community through awareness, education, screening, coaching, and research. By evaluating risk factors and encouraging healthier behaviors, the South Asian Heart Center has helped to improve risk profiles and save lives.

El Camino Hospital also supported the Chinese Health Initiative. See description on page 19.

Services for Seniors

linkAges

The organization linkAges forges partnerships with local nonprofits, neighborhood associations, faith-based organizations, and businesses to offer a community-based outreach effort that supports aging in place. Offered through the Palo Alto Medical Foundation, linkAges' TimeBank program is a community-based, multigenerational exchange network.

Members "bank" their time by providing services to others and then use those hours to receive services in return. For example, Corinna, a hairstylist, might offer to do hair in the home. Lillian, a senior citizen, might enjoy a hair appointment and in turn offer gardening expertise to Edward, who is retired and looking to plant a drought-friendly garden. Because Edward offers driving services on linkAges, he could end up closing the circle by driving Corinna to the airport. Through this kind of sharing, linkAges builds meaningful intergenerational connections among community members. The sharing of abilities and interests makes people feel useful and valued.

Most of the recipients of linkAges services are seniors, disabled people, and family caregivers — people who are isolated due to their individual circumstances and need services, support, and friendship.

Falls Prevention in Santa Clara County

In Santa Clara County, falls are the number one cause of hospitalizations for adults 65 years and older. Many of these falls are preventable through environmental changes, medication modification, and, where possible, improvements in functional ability. Increasing fall prevention awareness and resources in the community are the goals of Falls Prevention in Santa Clara County (FPSCC), a program supported by El Camino Hospital Community Benefit funds. FPSCC brings together providers of healthcare and aging services, public health officials, experts from the world of academia, funders, and others to develop strategies to reduce falls among older adults. The work includes classes, advocacy, resource development, and community and provider education.

Accessible Health Information

Health Library & Resource Center Los Gatos – El Camino Hospital

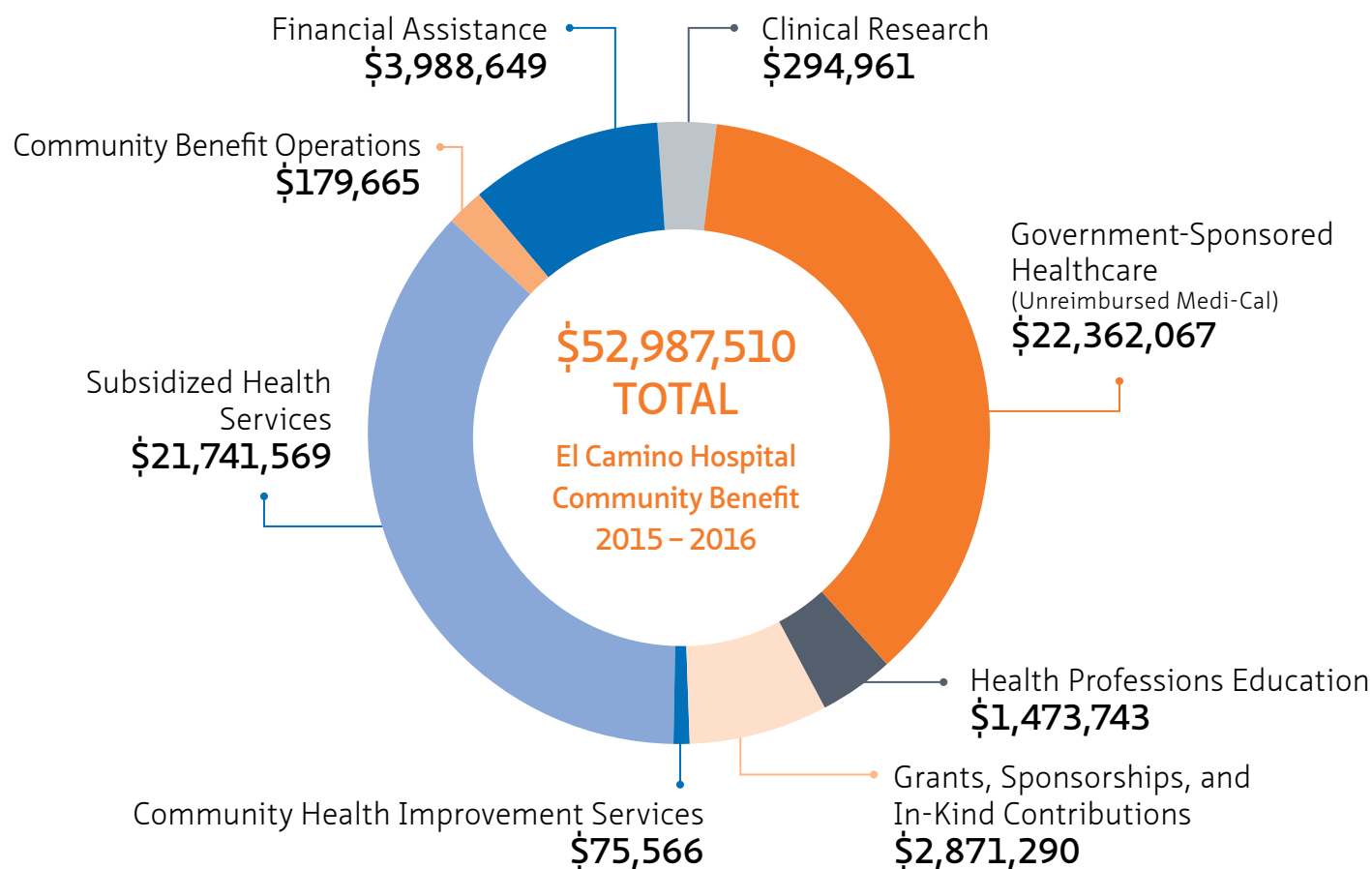
For many people in the community, El Camino Hospital's Health Library & Resource Center is a destination for sound print, electronic, and online health information. A librarian is available to steer visitors to the most relevant resources. The Center also conducts outreach to local senior centers and has eldercare consultants on staff who can help family members develop long-range care plans for an elderly relative.

Tools for Disease Management

Gardner Family Health Network – Down With Diabetes

For nearly 50 years, Gardner Family Health clinics have provided underserved Santa Clara County residents with medical, dental, and vision care. A grant from El Camino Hospital Community Benefit helped Gardner fund Down With Diabetes, a program designed to teach patients effective diabetes management. Down With Diabetes offers one-on-one consults with experts who are both registered dietitians and certified diabetes educators. In addition to learning about diabetes and its treatment, patients work with the educator to develop a diet and exercise plan. Down With Diabetes also provided patients with the following:

- The Gardner Health Services' Down With Diabetes newsletter, available in English and Spanish. The newsletter is full of tips, fast facts, and healthy recipes.
- \$10 food vouchers for fruit and vegetable purchases from Chavez Supermarkets, a local chain serving the Latino community.
- Access to the VeggieRX educational program at the Gardner CompreCare Center. Patients learned about shopping for, storing, and cooking healthy food and techniques for healthy weight loss.



In addition, total uncompensated Medicare for Fiscal Year 2016 was \$102,104,525.

EL CAMINO HOSPITAL

Fiscal Year 2016 Sponsorship Recipients

Abilities United	Indian Health Center
Aging Services Collaborative	Los Gatos Lion Club – Mental Health Support for Los Gatos High School
Alum Rock Counseling Center	Next Door Solutions
American Diabetes Association	People Acting in Community Together (PACT)
Asian Americans for Community Involvement (AACI)	Planned Parenthood – Kids in Common
Bay Area Older Adults	Preeclampsia Foundation
Bay Area Women's Sports Initiative (BAWSI)	Project Cornerstone
Campbell United Methodist Church – Parenting Classes for At-Risk Youth	San Jose Parks Foundation
Chinese Americans for Compassionate Care	Services for Brain Injury
Congregation Shir Hadash – Health Fair	Silicon Valley Council of Non-Profits
Cystic Fibrosis Foundation	Silicon Valley Leadership Group – Turkey Trot Fundraiser
Gardner Family Health Network	Strides for Life Colon Cancer
Heart of Hope	Uplift Family Services
HERS Breast Cancer	West Valley Community Services
Hope Services	

COMMUNITY HEALTH IS A TEAM EFFORT

Community Benefit Advisory Council Members

Barbara Avery, Chair, Director, Community Benefit, El Camino Hospital

Bonnie Broderick, RD, MPH

Director of Chronic Disease and Injury Prevention, Santa Clara County Public Health Department

Cecile Currier, Vice President, Corporate & Community Health Services, El Camino Hospital

Rhonda Farber, PhD, Past Superintendent, Campbell Union High School District

Laura Macias, Past Mayor/Councilmember, City of Mountain View

Cesar Molina, MD, Physician and Medical Director of South Asian Heart Center, El Camino Hospital

Naomi N. Nakano-Matsumoto, LCSW, Assistant Director, Social Sector Ethics, Markkula Center for Applied Ethics, Santa Clara University

Anil Singhal, MD, Physician, El Camino Hospital Foundation Board of Directors

Marilyn Winkleby, PhD, MPH, Professor of Medicine and Director of the Office of Community Health, Stanford University School of Medicine

Community Benefit Advisory Council Board Liaisons

Peter Fung, MD, FACP, FAAN, FAHA

El Camino Hospital Board of Directors, Secretary/Treasurer, CBAC Liaison

El Camino Healthcare District Board of Directors, Chairperson

Julia E. Miller

El Camino Hospital Board of Directors, Member
El Camino Healthcare District Board of Directors, Secretary/Treasurer, CBAC Liaison

Community Benefit Staff

Cecile Currier, Vice President, Corporate & Community Health Services, El Camino Hospital

Barbara Avery, Director, Community Benefit

Anne Boyd Rabkin, Senior Community Benefit Specialist

Sharan Johal, Community Benefit Specialist

Laurie Withers, Sponsorship Coordinator

El Camino Healthcare District Board of Directors

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Dennis W. Chiu, JD, FY16 Vice Chair

Julia E. Miller, FY16, Secretary/Treasurer

David Reeder, MS

John L. Zoglin, MBA

El Camino Hospital Board of Directors

Neal H. Cohen, MD, MPH, MS, FY16 Chair

Tomi Ryba, MHA, President and CEO

Dennis W. Chiu, JD, FY16 Vice Chair

Peter C. Fung, MD, MS, FACP, FAAN, FAHA, FY16 Secretary/Treasurer

Lanhee J. Chen, JD, PhD

Jeffrey M. Davis, MD

Julia E. Miller

David Reeder, MS

John L. Zoglin, MBA

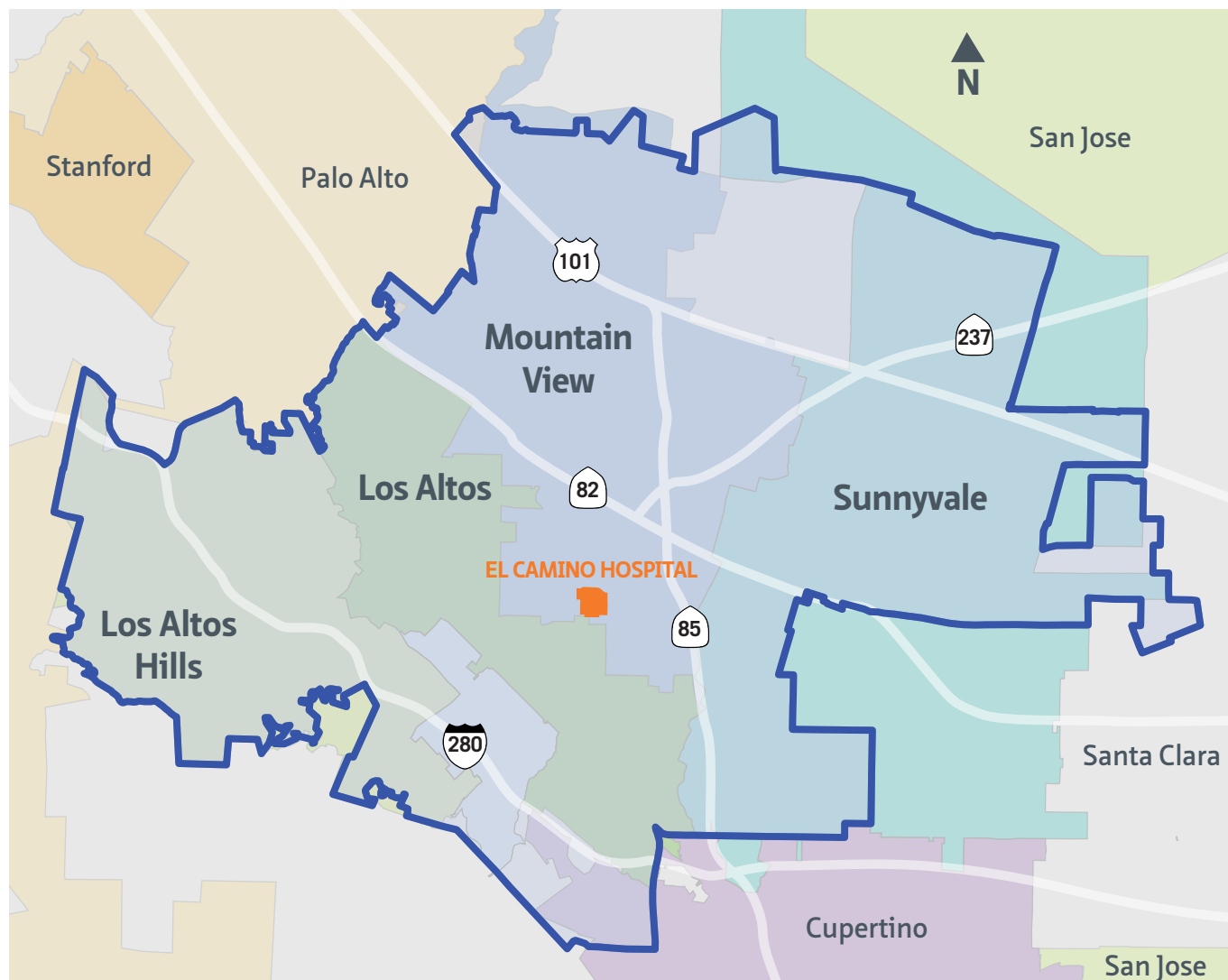
Additional El Camino Hospital Information

The 2016 Community Benefit Plan and Implementation Strategy, 2016 Community Benefit Report, and the Community Health Needs Assessment are available at www.elcaminohospital.org/communitybenefit

Additional El Camino Healthcare District Information

The 2016 El Camino Healthcare District Community Benefit Plan and 2016 Community Benefit Report are available at www.elcaminohealthcaredistrict.org/communitybenefit

EL CAMINO HEALTHCARE DISTRICT



Note: District boundary outline is an approximation.

El Camino Hospital and El Camino Healthcare District Fiscal Year Grant Recipient Contact Information*

5210 Health Awareness Program Palo Alto Medical Foundation 701 East El Camino Real Mountain View, CA 94040	Alzheimer's Association 2290 North 1st Street San Jose, CA 95131	Asian Americans for Community Involvement (Healthy IDEAS) 2400 Moorpark Avenue, Suite 300 San Jose, CA 95128
Bay Area Women's Sports Initiative (BAWSI) 1922 The Alameda, Suite 420 San Jose, CA 95126	Cambrian School District 4115 Jacksol Drive San Jose, CA 95124	Campbell Union School District 155 North Third Street Campbell, CA 95008
Cancer CAREpoint 2505 Samaritan Drive, Suite 402 San Jose, CA 95124	Challenge Diabetes Program 204 Stierlin Road Mountain View, CA 94043	Chinese Health Initiative 2500 Grant Road Mountain View, CA 94040
Citizen Insights 330 Twin Dolphin Drive, Suite 131 Redwood City, CA 94065	Community Health Awareness Council (CHAC) 590 West El Camino Real Mountain View, CA 94040	Community Services Agency – Mountain View 204 Stierlin Road Mountain View, CA 94043
Cupertino Union School District 10301 Vista Drive Cupertino, CA 95014	Day Worker Center of Mountain View 113 Escuela Avenue Mountain View, CA 94040	Eating Disorders Resource Center 15891 Los Gatos-Almaden Road Los Gatos, CA 95032
Falls Prevention Santa Clara County One Washington Square San Jose, CA 95192	Family & Children Services of Silicon Valley (Survivor Services) 375 Cambridge Avenue Palo Alto, CA 94306	Fremont Union High School District 589 West Fremont Avenue Sunnyvale, CA 94087
Friends for Youth 1741 Broadway Redwood City, CA 94063	Gardner Family Health Network 160 East Virginia Street San Jose, CA 95112	GoNoodle 209 10th Avenue South, Suite 350 Nashville, TN 37203
Health Library and Resource Center, Los Gatos – El Camino Hospital 815 Pollard Road Los Gatos, CA 95032	Health Library and Resource Center, Mountain View – El Camino Hospital 2500 Grant Road Mountain View, CA 94040	Hope's Corner 748 Mercy Street Mountain View, CA 94041
Law Foundation of Silicon Valley (Mental Health Advocacy Project) 152 North Third Street, 3rd Floor San Jose, CA 95112	linkAges Palo Alto Medical Foundation 2350 West El Camino Real Mountain View, CA 94043	Living Classroom P.O. Box 3501 Los Altos, CA 94024
Lucile Packard Foundation for Children's Health 400 Hamilton Avenue, Suite 340 Palo Alto, CA 94301	MayView Community Health Center 270 Grant Avenue Palo Alto, CA 94036	Medical Respite 1215 K Street, Suite 800 Sacramento, CA 95814
Momentum for Mental Health 438 North White Road San Jose, CA 95127	Mountain View Los Altos Union High School District 1299 Bryant Avenue Mountain View, CA 94040	Mountain View Whisman School District 750-A San Pierre Way Mountain View, CA 94043
National Alliance on Mental Illness, Santa Clara County (NAMI) 1150 South Bascom Avenue, Suite 24 San Jose, CA 95128	New Directions Program 33 Encina Avenue, Suite 103 Palo Alto, CA 94301	Next Door Solutions 234 East Gish Road, Suite 200 San Jose, CA 95112
Pathways Home Health & Hospice 585 North Mary Avenue Sunnyvale, CA 94085	Peninsula HealthCare Connection 33 Encina Avenue, Suite 103 Palo Alto, CA 94301	Playworks 2155 South Bascom Avenue, Suite 201 Campbell, CA 95008
RoadRunners Los Gatos – El Camino Hospital 815 Pollard Drive Los Gatos, CA 95032	RoadRunners Mountain View – El Camino Hospital 2500 Grant Road Mountain View, CA 94040	Santa Clara County Office of Education – Early Head Start Program 1290 Ridder Park Drive San Jose, CA 95131
Santa Clara Unified School District 1889 Lawrence Road Santa Clara, CA 95052	Seniors Council 234 Santa Cruz Avenue Aptos, CA 95003	South Asian Heart Center 2500 Grant Road Mountain View, CA 94040
Sunnyvale Community Services 725 Kifer Road Sunnyvale, CA 94086	Sunnyvale School District 819 West Iowa Avenue Sunnyvale, CA 94086	Superior Court of CA, Santa Clara County Foster Children's Orthodontic Program 191 North First Street San Jose, CA 95113
Uplift Family Services (formerly EMQ FamiliesFirst) 251 Llewellyn Avenue Campbell, CA 95008	West Valley Community Services Agency 10104 Vista Drive Cupertino, CA 95014	Working Partnerships USA 2102 Almaden Road, Suite 112 San Jose, CA 95125

*Some organizations have offices outside of the El Camino Hospital service area or the El Camino Healthcare District boundaries; however, all grants awarded support programs providing services within these geographic areas.



EL CAMINO HEALTHCARE DISTRICT



El Camino Hospital®
THE HOSPITAL OF SILICON VALLEY

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**a. Minutes of the Open Session of the Hospital Board
Meeting (September 14, 2016)**

Minutes of the Open Session of the
El Camino Hospital Board of Directors
Wednesday, September 14, 2016
2500 Grant Road, Mountain View, CA 94040
Conference Rooms E, F & G

Board Members Present

Lanhee Chen
 Neal Cohen, MD
 Jeffrey Davis, MD
 Peter C. Fung, MD
 Julia Miller
 David Reeder
 Tomi Ryba
 John Zoglin (via videoconference)

Board Members Absent

Dennis Chiu

Members Excused

None

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Board of Directors of El Camino Hospital (the “Board”) was called to order at 5:30pm by Chair Cohen. A verbal roll call was taken. Director Chiu was absent. Director Zoglin participated via videoconference. All other Board members were present.	
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Director Cohen asked if any Board members may have a conflict of interest with any of the items on the agenda. No conflicts were noted.	
3. AGENDA ITEM 3: BOARD RECOGNITION	<p>Cheryl Reinking, CNO, acknowledged the Orthopedic Institute at El Camino Hospital for their continued efforts to provide high quality personalized care to patients undergoing orthopedic, joint, and spine procedures and its recent re-accreditation by The Joint Commission.</p> <p>Director Cohen commended staff on the tremendous accomplishments coordinating orthopedic care.</p>	<i>Resolution 2016-08 approved</i>
4. AGENDA ITEM 4: FY16 ORGANIZATIONAL GOAL ACHIEVEMENT	<p>Mick Zdeblick, COO, explained that ECH achieved both threshold goals for FY16 – Budgeted Operating Margin and Joint Commission Accreditation.</p> <p>He outlined the results for the Patient Safety and iCare Goals:</p> <ul style="list-style-type: none"> - Medication Reconciliation at Discharge: exceeded goal - Achieve Medicare Length of Stay and Maintain Current Readmission Rates: exceeded goal; also an FY17 goal <p>Mr. Zdeblick reported that the organization did not meet its Smart Growth goal, partially due to physician retirements and split times with other organizations that were not foreseen when the goal metrics were established.</p> <p>Mr. Zdeblick explained that the weighted average organizational score is 67%.</p> <p>Motion: To approve the FY16 Organizational Goal scores.</p> <p>Movant: Chen Second: Ryba</p>	<i>FY16 Organizational Goal Scores approved</i>

	<p>Ayes: Chen, Cohen, Davis, Fung, Miller, Reeder, Ryba, Zoglin Noes: None Abstentions: None Absent: Chiu Recused: None</p>	
<p>5. AGENDA ITEM 5: FY17 ORGANIZATIONAL GOAL METRICS</p>	<p>Mick Zdeblick, COO, explained that the metrics for the Pain Management goal have been developed with extensive engagement from the Quality Committee. The Committee challenged the Pain Reassessment minimum, maximum, and target goals, and staff have brought new goals to the Board incorporating this feedback from the Quality Committee. Mr. Zdeblick outlined two options for moving forward: 1) to approve the FY17 Organizational Goals as presented or 2) to defer approval until the October Board meeting, after the next Quality Committee meeting.</p> <p>In response to Dr. Cohen's question, Cheryl Reinking, CNO, explained the upcoming consolidation in iCare for documenting pain reassessment to increase compliance scores. She also clarified the window in which to collect data and measure of pain after medication has been administered and taken effect (5-60 minutes, depending on the type of medication).</p> <p>Director Reeder recommended approving the FY17 organizational goals as presented and noted that if the Quality Committee has any concerns, those comments will be brought to the Board.</p> <p>Motion: To approve the FY17 Organizational Goal metrics, including the Pain Management Goal.</p> <p>Movant: Davis Second: Fung Ayes: Chen, Cohen, Davis, Fung, Miller, Reeder, Ryba, Zoglin Noes: None Abstentions: None Absent: Chiu Recused: None</p>	<p><i>FY16 Organizational Goal Metrics approved</i></p>
<p>6. AGENDA ITEM 6: RESOLUTION 2016-09</p>	<p>Iftikhar Hussain, CFO, outlined Resolution 2016-09 regarding extension of letter credit related to Series 2009A Revenue Bonds. Since the 2009A bonds were issued, Wells Fargo Bank has provided the required credit facility in the form of a Letter of Credit in the amount of \$50 million. He reported that the current Letter of Credit expires on April 6, 2017. He explained that if the remaining term of the Letter of Credit is one year or longer, the amount owed on the 2009A Bonds can be classified as long-term debt for accounting purposes.</p> <p>Motion: To approve Resolution 2016-09.</p> <p>Movant: Fung Second: Chen Ayes: Chen, Cohen, Davis, Fung, Miller, Reeder, Ryba, Zoglin Noes: None Abstentions: None Absent: Chiu Recused: None</p>	

<p>7. AGENDA ITEM 7: QUALITY COMMITTEE REPORT</p>	<p>Dave Reeder, Chair of the Quality Committee, reported that the Committee is continuing to discuss pain management and pain reassessment. On the exception report, seven metrics are stable. He explained that there has been positive progress on communication regarding medication and general responsiveness of staff, but they still remain areas for improvement. He reported that average length of stay and readmissions are on target.</p> <p>Director Reeder described the presentation on sepsis from Kelley Nguyen, RN, noting that in the US, a person is hospitalized for sepsis every 20 seconds, and a person dies from sepsis every 2 minutes. He described ECH statistics regarding sepsis and treatment options, and that sepsis is a proposed new metric on the exception report.</p> <p>He also reported that ECH is working with Planetree on Patient and Family-Centered Care. He provided a summary of their initial report highlighting: 1) strengths: customer loyalty, staff professionalism, and clinical excellence; 2) areas of opportunity: voice of the patients families, standardized policies; and 3) recommendations: electronic medical records, transition of care teams.</p> <p>He explained that proposed changes to the Medical Staff peer review process will be brought to the Quality Committee and there will be in-depth review in the spring.</p> <p>Director Cohen commented that treating and measuring sepsis is a challenge, citing antibiotic resistance, changing definitions, and difficulty in identifying the appropriate population to follow.</p>	
<p>8. AGENDA ITEM 8: INVESTMENT COMMITTEE REPORT</p>	<p>Jeff Davis, member of the Investment Committee, reported that the Committee is on track to meet all of its goals, and received an education session from Pavilion, ECH's investment advisors, on investment strategies in low-return environments. The Committee considered private equity investment options, but opted not to make any changes to the asset allocation policy at this time.</p>	
<p>9. AGENDA ITEM 9: PUBLIC COMMUNICATION</p>	<p>There were no comments from the public.</p>	
<p>10. AGENDA ITEM 10: ADJOURN TO CLOSED SESSION</p>	<p>Motion: To adjourn to closed session at 5:55pm pursuant to <i>Gov't Code Section 54957.2</i> for approval of the Closed Session Minutes of the Hospital Board Meetings of August 10, 2016 and August 27, 2016; pursuant to <i>Gov't Code Sections 54957</i> and <i>54957.6</i> for a report involving personnel matters: VP, Corporate & Community Health Services & President of CONCERN:EAP FY17 Incentive Goal Revision; pursuant to <i>Health and Safety Code 32155</i> for deliberations concerning reports on Medical Staff quality assurance matters: Medical Staff Report; pursuant to <i>Health and Safety Code 32155</i> for deliberations concerning reports on Medical Staff quality assurance matters: Organizational Clinical Risks; pursuant to <i>Health and Safety Code 32106(b)</i> for a report involving health care facility trade secrets: Review of Physician Contracts; pursuant to <i>Gov't Code Section 54957.6</i> for a conference with labor negotiator Kathryn Fisk: Labor Relations Update; pursuant to <i>Gov't Code Section 54956.9(d)(2)</i> for a report involving conference with legal counsel – pending or threatened litigation: FY16 Compliance Program Summary; pursuant to <i>Gov't Code Sections 54957</i> and <i>54957.6</i> for report and discussion on personnel matters and <i>Health and Safety</i></p>	<p><i>Adjourned to closed session at 6:20 pm.</i></p>

	<p><i>Code 32106(b)</i> for report involving health care facility trade secrets: Informational Items; pursuant to <i>Health and Safety Code 32106(b)</i> for a report involving health care facility trade secrets: Strategic Priorities; pursuant to <i>Gov't Code Section 54956.8</i> – conference with real estate negotiator Ken King regarding property (APN 279-08-017); pursuant to <i>Health and Safety Code 32106(b)</i> for a report involving health care facility trade secrets: El Camino Ambulatory Surgery Center Transaction; pursuant to <i>Gov't Code Sections 54957</i> and <i>54957.6</i> for report and discussion on personnel matters and <i>Health and Safety Code 32106(b)</i> for report involving health care facility trade secrets: Proposed FY16 CEO Incentive Compensation Payout Amount; pursuant to <i>Gov't Code Sections 54957</i> and <i>54957.6</i> for report and discussion on personnel matters and <i>Health and Safety Code 32106(b)</i> for report involving health care facility trade secrets: Proposed FY17 CEO Salary Range; pursuant to <i>Gov't Code Sections 54957</i> and <i>54957.6</i> for report and discussion on personnel matters and <i>Health and Safety Code 32106(b)</i> for report involving health care facility trade secrets: Interim CEO Search Ad Hoc Committee Report; pursuant to <i>Gov't Code Section 54957</i> for discussion and report on personnel performance matters: Executive Session.</p> <p>Movant: Fung Second: Ryba Ayes: Chen, Cohen, Davis, Fung, Miller, Reeder, Ryba, Zoglin Noes: None Abstentions: None Absent: Chiu Recused: None</p>	
11. AGENDA ITEM 27: RECONVENE OPEN SESSION/REPORT OUT	<p>Open session was reconvened at 9:27pm.</p> <p>During the Closed Session, the Board approved the Closed Session Minutes of the Hospital Board Meetings of August 10, 2016 and August 27, 2016 as amended, the FY17 Incentive Goals Draft Revised VP, Corporate & Community Health Services & President, CONCERN: EAP, the FY16 Compliance Program Summary, and the Medical Staff Report by a vote in favor of all members present (Directors Chen, Cohen, Davis, Fung, Miller, Ryba, Reeder, and Zoglin, by phone). Director Chiu was absent.</p>	
12. AGENDA ITEM 28: CONSENT CALENDAR	<p>Director Cohen asked if any member of the Board or the public wished to remove an item from the consent calendar. .</p> <p>Director Ryba requested that Item C, Revised El Camino Hospital Foundation Bylaws be removed.</p> <p>Motion: To approve the consent calendar: Minutes of the Open Session of the Hospital Board Meetings of August 10, 2016 and August 27, 2016; <i>Resolution 2016-10</i>: Appointing Interim CEO Search Ad Hoc Committee; <i>Resolution 2016-11</i>: Appointing CEO Search Ad Hoc Committee; Physician Contracts – ED On-Call Neuro-Interventional Panel (MV) and ED On-Call Gastroenterology Panel (MV); FY17 Internal Audit Work Plan; and the Medical Staff Report.</p> <p>Movant: Miller Second: Fung Ayes: Chen, Cohen, Davis, Fung, Miller, Reeder, Ryba, Zoglin Noes: None</p>	Consent calendar approved

	<p>Abstentions: None Absent: Chiu Recused: None</p> <p>Director Ryba clarified that the cover sheet for the Revised Foundation Bylaws should read that the Hospital Board Liaison to the Foundation is appointed each year by the Chair of the Hospital Board of Directors in coordination with the Foundation President and Chair of the Foundation Board of Directors.</p> <p>Motion: To approve Item C, Revised El Camino Hospital Foundation Bylaws.</p> <p>Movant: Miller Second: Fung Ayes: Chen, Cohen, Davis, Fung, Miller, Reeder, Ryba, Zoglin Noes: None Abstentions: None Absent: Chiu Recused: None</p>	
13. AGENDA ITEM 29: RETENTION OF CEO SEARCH RECRUITMENT FIRM	This agenda item was deferred.	<i>Topic deferred</i>
14. AGENDA ITEM 30: APPROVAL OF SVMD PRIMARY CARE CLINIC AND PHYSICIAN CONTRACTS	<p>Motion: To approve Professional Service/Employment Agreements for total compensation with the physician members of the Hamilton Medical Group as follows:</p> <p>Internal Medicine Physician #1: \$325,000/annually Internal Medicine Physician #2: \$295,000/annually Family Practice Physician #1: \$295,000/annually Internal Medicine Physician #3: \$130,000/annually</p> <p>Movant: Ryba Second: Fung Ayes: Chen, Cohen, Davis, Fung, Miller, Reeder, Ryba, Zoglin Noes: None Abstentions: None Absent: Chiu Recused: None</p>	<i>Physician Agreements for the Hamilton Group approved</i>
15. AGENDA ITEM 31: APPROVAL OF ECASC TRANSACTION	This agenda item was deferred.	<i>Topic deferred</i>
16. AGENDA ITEM 32: PROPOSED FY16 CEO INCENTIVE COMPENSATION PAYOUT AMOUNT	<p>Motion: To approve the FY16 CEO Incentive Payout in the amount of \$223,673.00.</p> <p>Movant: Chen Second: Reeder Ayes: Chen, Cohen, Fung, Miller, Reeder, Zoglin Noes: None Abstentions: Davis, Ryba Absent: Chiu Recused: None</p>	<i>FY16 CEO Incentive Payout approved</i>
17. AGENDA ITEM 33: PROPOSED FY17 CEO SALARY RANGE	<p>Motion: To approve the FY17 CEO Salary Range in the amount of \$775,200 to \$1,162,800.</p> <p>Movant: Chen</p>	<i>FY17 CEO Salary Range approved</i>

	Second: Fung Ayes: Chen, Cohen, Davis, Fung, Miller, Reeder, Ryba Noes: Zoglin Abstentions: None Absent: Chiu Recused: None	
18. AGENDA ITEM 34: INFORMATIONAL ITEMS	There were no questions comments on the informational items.	
19. AGENDA ITEM 35: BOARD COMMENTS	There were no additional comments from the Board.	
20. AGENDA ITEM 36: ADJOURNMENT	Motion: To adjourn at 9:33pm. Movant: Fung Second: Davis Ayes: Chen, Cohen, Davis, Fung, Miller, Reeder, Ryba, Zoglin Noes: None Abstentions: None Absent: Chiu Recused: None	<i>Meeting adjourned at 9:33 pm.</i>

Attest as to the approval of the foregoing minutes by the Board of Directors of El Camino Hospital:

Neal Cohen, MD
Chair, ECH Board

Peter C. Fung, MD
ECH Board Secretary

Prepared by: Cindy Murphy, Board Liaison
Sarah Rosenberg, Board Services Coordinator

**b. Minutes of the Open Session of the Hospital Board
Meeting (September 27, 2016)**

Minutes of the Open Session of the
El Camino Hospital Board of Directors
Tuesday, September 27, 2016
2500 Grant Road, Mountain View, CA 94040
Conference Rooms A&B (ground floor)

Board Members Present

Lanhee Chen
 Dennis Chiu
 Neal Cohen, MD
 Jeffrey Davis, MD (via teleconference,
 joined at 5:40 pm)
 Julia Miller
 David Reeder
 John Zoglin (via teleconference)

Board Members Absent

Peter Fung, MD
 Tomi Ryba

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Board of Directors of El Camino Hospital (the “Board”) was called to order at 5:30 pm by Chair Cohen. A verbal roll call was taken. Directors Fung and Ryba were absent. Director Zoglin participated via teleconference. Director Davis joined the meeting via teleconference at 5:40 pm during the closed session. All other Board members were present.	
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Director Cohen asked if any Board members may have a conflict of interest with any of the items on the agenda. No conflicts were noted.	
3. AGENDA ITEM 3: PUBLIC COMMUNICATION	There were no comments from the public.	
4. AGENDA ITEM 4: ADJOURN TO CLOSED SESSION	<p>Motion: To adjourn to closed session at 5:33 pm pursuant to <i>Gov’t Code Section 54957</i> for discussion and report on personnel performance matters: Appointment of Interim CEO; pursuant to <i>Gov’t Code Sections 54957</i> and <i>54957.6</i> for discussion and report on personnel matters: Approval of Interim CEO Contractual Terms; pursuant to <i>Gov’t Code Section 54957</i> for discussion and report on personnel performance matters and <i>Health and Safety Code 32106(b)</i> for report involving health care facility trade secrets: CEO Search Discussion Including CEO Search Ad Hoc Committee; pursuant to <i>Gov’t Code Sections 54657</i> and <i>54957.6</i> for report and discussion on personnel matters and <i>Health and Safety Code 32106(b)</i> for report involving health care facility trade secrets: Proposed FY16 Performance Incentive Compensation Bonus.</p> <p>Movant: Reeder Second: Chiu Ayes: Chen, Chiu, Cohen, Miller, Reeder, Zoglin Noes: None Abstentions: None Absent: Davis, Fung, Ryba Recused: None</p>	<i>Adjourned to closed session at 5:33 pm</i>

5. AGENDA ITEM 11: RECONVENE OPEN SESSION/REPORT OUT	<p>Open session was reconvened at 6:33pm.</p> <p>During the closed session, the Board appointed Donald C. Sibery as El Camino Hospital's Interim CEO by a unanimous vote of all members present (Directors Chen, Chiu, Cohen, Davis, Miller, Reeder, and Zoglin (by phone). Directors Fung and Ryba were absent. The Board also approved the Interim CEO's contractual terms in concept, subject to the Board's considerations, and delegated authority to Board Chair Cohen and Director Chen to negotiate the final contract by a unanimous vote of all members present (Directors Chen, Chiu, Cohen, Miller, Reeder, and Zoglin (by phone). Directors Davis (mistakenly verbally announced as voting in favor at the conclusion of the closed session), Fung and Ryba were absent.</p>	
6. AGENDA ITEM 12: PROPOSED FY16 PERFORMANCE INCENTIVE COMPENSATION BONUS	<p>Motion: To accept the recommendation of the Executive Compensation Committee that there be no Executive Performance Incentive Payout for the Chief Strategy Officer for FY16.</p> <p>Movant: Chen Second: Reeder Ayes: Chen, Chiu, Cohen, Davis, Miller, Reeder, Zoglin Noes: None Abstentions: None Absent: Fung, Ryba Recused: None</p>	
7. AGENDA ITEM 13: ADJOURNMENT	<p>Motion: To adjourn at 6:37 pm.</p> <p>Movant: Chiu Second: Chen Ayes: Chen, Chiu, Cohen, Davis, Miller, Reeder, Zoglin Noes: None Abstentions: None Absent: Fung, Ryba Recused: None</p>	<p><i>Meeting adjourned at 6:37 pm.</i></p>

Attest as to the approval of the foregoing minutes by the Board of Directors of El Camino Hospital:

Neal Cohen, MD
Chair, ECH Board

Peter C. Fung, MD
ECH Board Secretary

Prepared by: Cindy Murphy, Board Liaison
Sarah Rosenberg, Contracts & Board Services Coordinator

FY17 Period 1 Financials



El Camino Hospital

THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations
Iftikhar Hussain, CFO

Fiscal Year 2017 – Period 1
7/1/2016 to 7/31/2016

Dashboard - ECH combined as of July 31, 2016

	Annual						Month			YTD		
	2013	2014	2015	2016	2017 Proj.	2017 Bud/Target	PY	CY	Bud/Target	PY	CY	Bud/Target
Volume												
Licensed Beds	443	443	443	443	443	443	443	443	443	443	443	443
ADC	240	238	246	242	117	245	237	230	235	233	230	235
Adjusted Discharges	28,906	28,602	29,051	28,358	14,123	29,446	2,537	2,352	2,436	3,052	2,352	2,435
Total Discharges	24,149	23,383	23,767	22,986	11,280	23,665	1,970	1,880	1,967	2,265	1,880	1,967
Inpatient Cases												
Med Surg	17,243	16,594	17,052	16,819	8,226	17,285	1,452	1,370	1,430	1,747	1,370	1,430
Deliveries	5,472	5,373	5,273	4,916	2,364	5,055	405	394	421	405	394	421
BHS	861	877	901	806	420	755	74	70	68	74	70	68
Rehab	525	547	555	500	276	570	39	46	48	39	46	48
Outpatient												
ED	45,525	46,056	49,130	48,661	23,532	51,253	4,056	3,922	4,271	4,056	3,922	4,271
Procedural Cases												
OP Surg	5,852	6,403	6,488	6,074	2,958	6,004	547	493	500	547	493	548
Endo	2,242	2,492	2,520	2,322	828	2,479	221	138	207	221	138	206
Interventional	1,709	1,917	2,144	2,227	1,260	2,049	200	210	171	200	210	171
All Other	64,352	69,339	67,831	80,673	40,218	85,255	5,756	6,703	7,105	6,602	6,703	7,104
Financial Performance (\$000s)												
Net Revenues	686,327	721,123	746,645	772,020	391,117	789,585	59,196	65,187	62,947	59,195	65,186	62,947
Operating Expenses	632,353	669,680	689,631	743,044	347,855	758,807	58,164	57,976	61,390	58,163	57,976	61,390
Operating Income \$	69,126	70,305	78,120	52,613	53,474	55,837	3,305	8,913	3,693	3,305	8,912	3,693
Operating Margin	9.9%	9.5%	10.2%	6.6%	13.3%	6.9%	5.4%	13.3%	5.7%	5.4%	13.3%	5.7%
EBITDA \$	124,722	125,254	128,002	108,554	81,351	115,910	7,478	13,559	8,608	7,478	13,559	8,607
EBITDA %	17.8%	16.9%	16.7%	13.6%	20.3%	14.2%	12.2%	20.3%	13.2%	12.2%	20.3%	13.2%
IP Margin**	-1.1%	-3.2%	-4.5%	-6.6%	-8.5%	-6.6%	-3.3%	-8.5%	-6.6%	-3.3%	-8.5%	-6.6%
OP Margin**	25.9%	25.2%	28.1%	26.1%	31.8%	26.1%	31.6%	31.8%	26.1%	31.6%	31.8%	26.1%
Payor Mix												
Medicare	46.3%	44.6%	46.2%	46.6%	44.5%	46.4%	46.2%	44.5%	46.4%	46.2%	44.5%	46.4%
Medi-Cal	4.9%	6.0%	6.6%	7.4%	8.0%	6.5%	8.4%	8.0%	6.5%	8.4%	8.0%	6.5%
Commercial IP	25.3%	25.4%	24.2%	23.2%	23.3%	24.0%	23.2%	23.3%	24.0%	23.2%	23.3%	24.0%
Commercial OP	16.9%	18.6%	18.7%	18.7%	20.1%	19.0%	18.5%	20.1%	19.0%	18.5%	20.2%	18.5%
Total Commercial	42.2%	44.0%	42.9%	41.9%	43.4%	43.0%	41.8%	43.4%	43.0%	41.8%	43.5%	42.5%
Other	6.6%	5.4%	4.3%	4.1%	4.1%	4.1%	3.7%	4.1%	4.1%	3.7%	4.1%	4.1%
Cost												
Employees	2,289.0	2,435.6	2,452.4	2,542.8	2,480.3	2,466.4	2,563.4	2,480.3	2,466.4	2,563.4	2,480.3	2,466.4
Hrs/APD	29.72	29.31	30.45	30.35	30.36	30.92	30.69	30.36	30.92	30.69	30.36	30.92
Balance Sheet												
Net Days in AR	47.8	50.9	43.6	53.7	53.5	48.0	44.8	53.5	48.0	44.8	53.5	48.0
Days Cash	350	382	401	361	405	266	403	405	266	403	405	266
Debt to Capitalization	14.0%	12.6%	13.6%	13.8%	13.7%	17.3%	13.7%	13.7%	17.3%	13.7%	13.7%	17.3%
MADS	8.0	9.5	8.9	6.1	9.2	9.3	8.8	9.2	9.3	8.8	9.2	9.3
Affiliates - Net Income (\$000s)												
Hosp	88,820	118,906	94,787	43,043	20,285	67,032	4,571	20,285	4,626	4,571	20,285	4,626
Concern	371	1,862	1,202	1,823	379	2,604	268	379	210	268	379	210
ECSC		(5)	(41)	(282)	(3)	0	1	(3)	0	1	(3)	0
Foundation	1,545	3,264	710	982	514	(450)	269	514	(43)	269	514	(43)
SVMD	(114)	32	106	156	191	0	(1)	191	(1)	(1)	191	(1)

*Includes Deliveries

** Due to timing of month end costing, In Patient and Out Patient Operating Margin % for FYTD 2017 are one month in arrears

Total volume (adjusted discharges) is 3.4% below budget for the year primarily due to lower deliveries

Outpatient volume: ED visits are slightly higher than budget. Other OP services are below budget.

Operating margin for July was \$5.2M favorable to budget due to favorable revenue despite lower volume. The higher revenue is due to revenue cycle improvements mainly reduction in denials. Expenses were below budget due to favorable productivity, fees and purchased services (+\$1.2M) and supplies (+\$1.2M).

Productivity has improved after EPIIC go-live but remains favorable compared to budget.

AR days remain relatively flat from June to July.

Fiscal Year 2017 Fiscal Period 1 (7/1/2016-7/31/2016) Waterfall

		Month to Date (MTD)	
		Net Income Impact	% Net Revenue
\$ in Thousands			
Budgeted Hospital Operations FY2017		3,693	5.7%
Net Revenue		1,807	2.7%
	* Volumes down mainly in OB		
	* Net reimbursement favorable		
Labor and Benefit Expense Change		832	1.2%
	* Benefits on target, Mgmt/Techs salary is majority of savings.		
Professional Fees & Purchased Services		1,197	1.8%
	* Budgeted Medical Director fees/Consultants		
	* Repairs/Software		
Supplies		1,227	1.8%
	* Drug Exp		
	* Medical Supplies (Volumes)		
	* Misc Net Supplies (Food/Volumes)		
Other Expenses		(111)	-0.2%
	* Dues and Subscriptions		
	* MD ICARE Training		
	* MD Income Guarantee		
	* Advertising, Net other		
Depreciation & Interest		269	0.4%
Actual Hospital Operations FY2017		8,914	13.3%

El Camino Hospital (\$000s) ⁽¹⁾

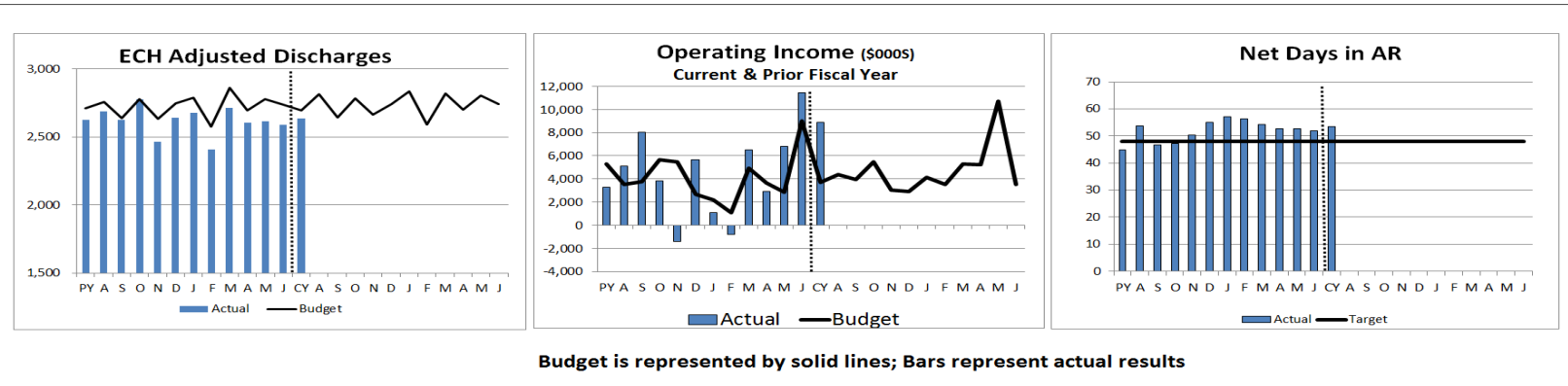
1 month ending 7/31/2016

PERIOD 1 FY 2016	PERIOD 1 FY 2017	PERIOD 1 Budget 2017	Variance Fav (Unfav)	Var%
216,966	231,262	233,418	(2,156)	-0.9%
(157,770)	(166,076)	(170,472)	4,396	1.0%
59,196	65,187	62,947	2,240	3.6%
2,274	1,702	2,136	(434)	-20.3%
61,469	66,889	65,082	1,806	2.8%
35,113	35,514	36,346	832	2.3%
9,714	8,441	9,668	1,227	12.7%
7,341	6,998	8,195	1,197	14.6%
1,822	2,377	2,266	(111)	-4.9%
451	616	602	(14)	-2.4%
3,722	4,030	4,313	283	6.6%
58,164	57,976	61,390	3,414	5.6%
3,305	8,913	3,693	5,221	141.4%
1,266	11,371	933	10,439	1119.0%
4,571	20,285	4,626	15,659	338.5%
12.2%	20.3%	13.2%	7.0%	
5.4%	13.3%	5.7%	7.7%	
7.4%	30.3%	7.1%	23.2%	

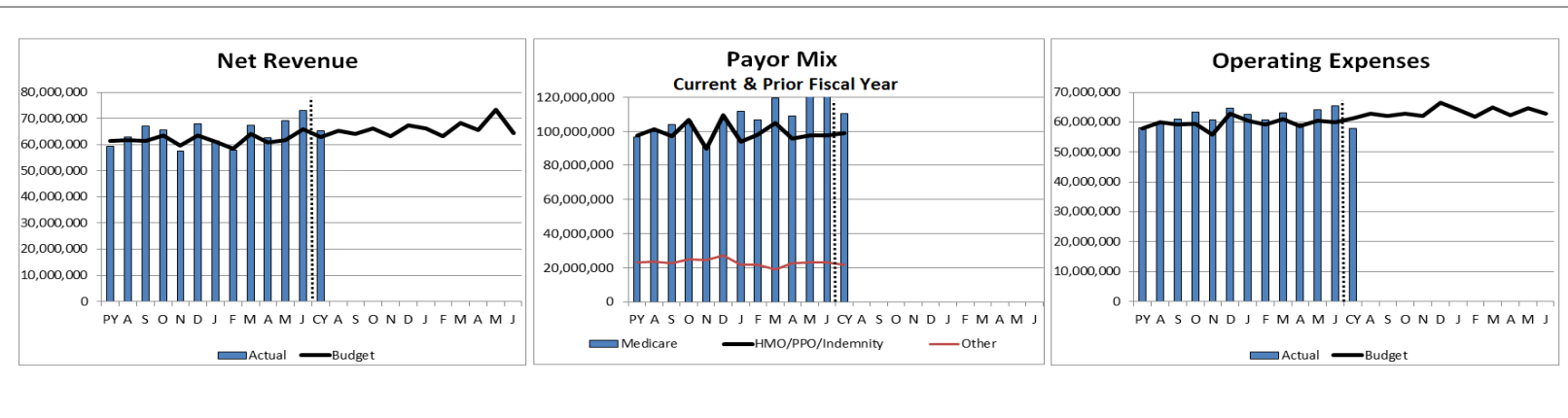
\$000s	YTD FY 2016	YTD FY 2017	YTD Budget 2017	Variance Fav (Unfav)	Var%
OPERATING REVENUE					
Gross Revenue	216,966	231,262	233,418	(2,156)	-0.9%
Deductions	(157,770)	(166,076)	(170,472)	4,396	-2.6%
Net Patient Revenue	59,196	65,187	62,947	2,240	3.6%
Other Operating Revenue	2,274	1,702	2,136	(434)	-20.3%
Total Operating Revenue	61,469	66,889	65,082	1,806	2.8%
OPERATING EXPENSE					
Salaries & Wages	35,113	35,514	36,346	832	2.3%
Supplies	9,714	8,441	9,668	1,227	12.7%
Fees & Purchased Services	7,341	6,998	8,195	1,197	14.6%
Other Operating Expense	1,822	2,377	2,266	(111)	-4.9%
Interest	451	616	602	(14)	-2.4%
Depreciation	3,722	4,030	4,313	283	6.6%
Total Operating Expense	58,164	57,976	61,390	3,414	5.6%
Net Operating Income/(Loss)	3,305	8,913	3,693	5,221	141.4%
Non Operating Income	1,266	11,371	933	10,439	1119.0%
Net Income(Loss)	4,571	20,285	4,626	15,659	338.5%
EBITDA	12.2%	20.3%	13.2%	7.0%	
Operating Margin	5.4%	13.3%	5.7%	7.7%	
Net Margin	7.4%	30.3%	7.1%	23.2%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

Monthly Financial Trends

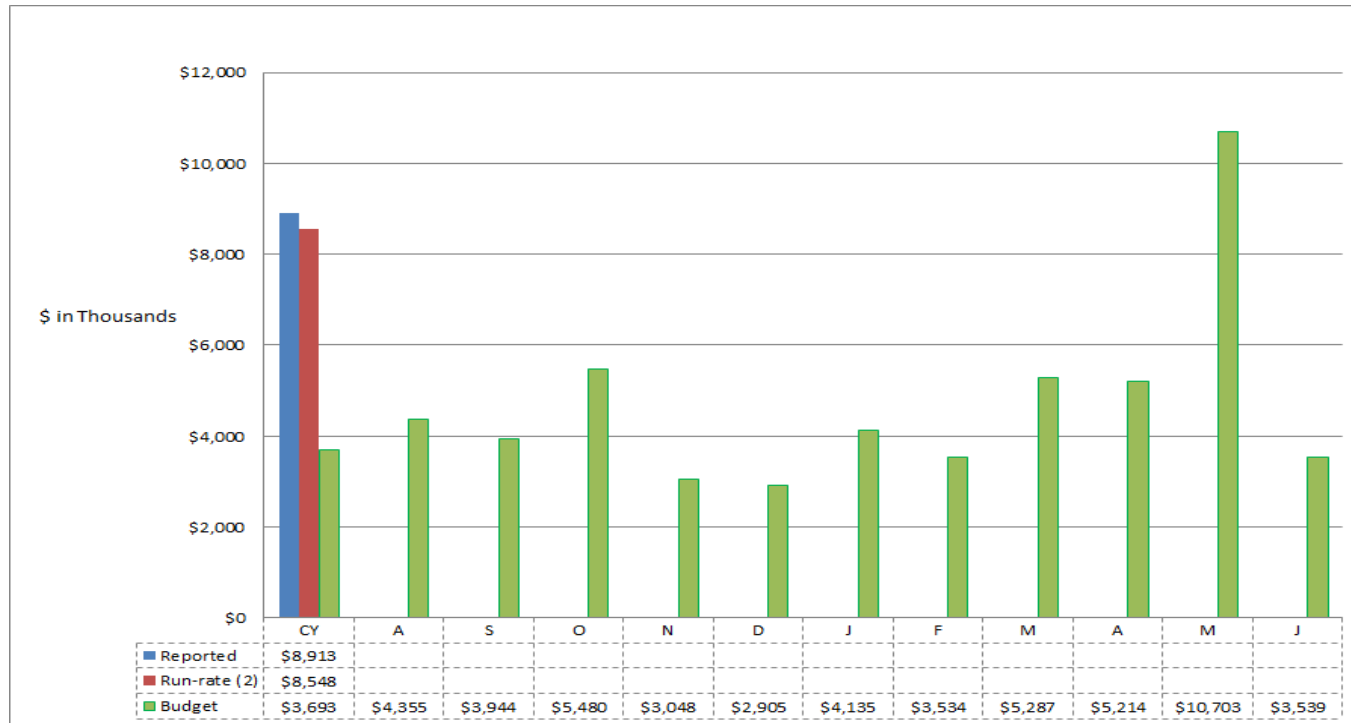


Volume is low mainly in surgeries, deliveries, and infusion treatments.
AR days remained relatively flat from June.



ECH Operating Margin

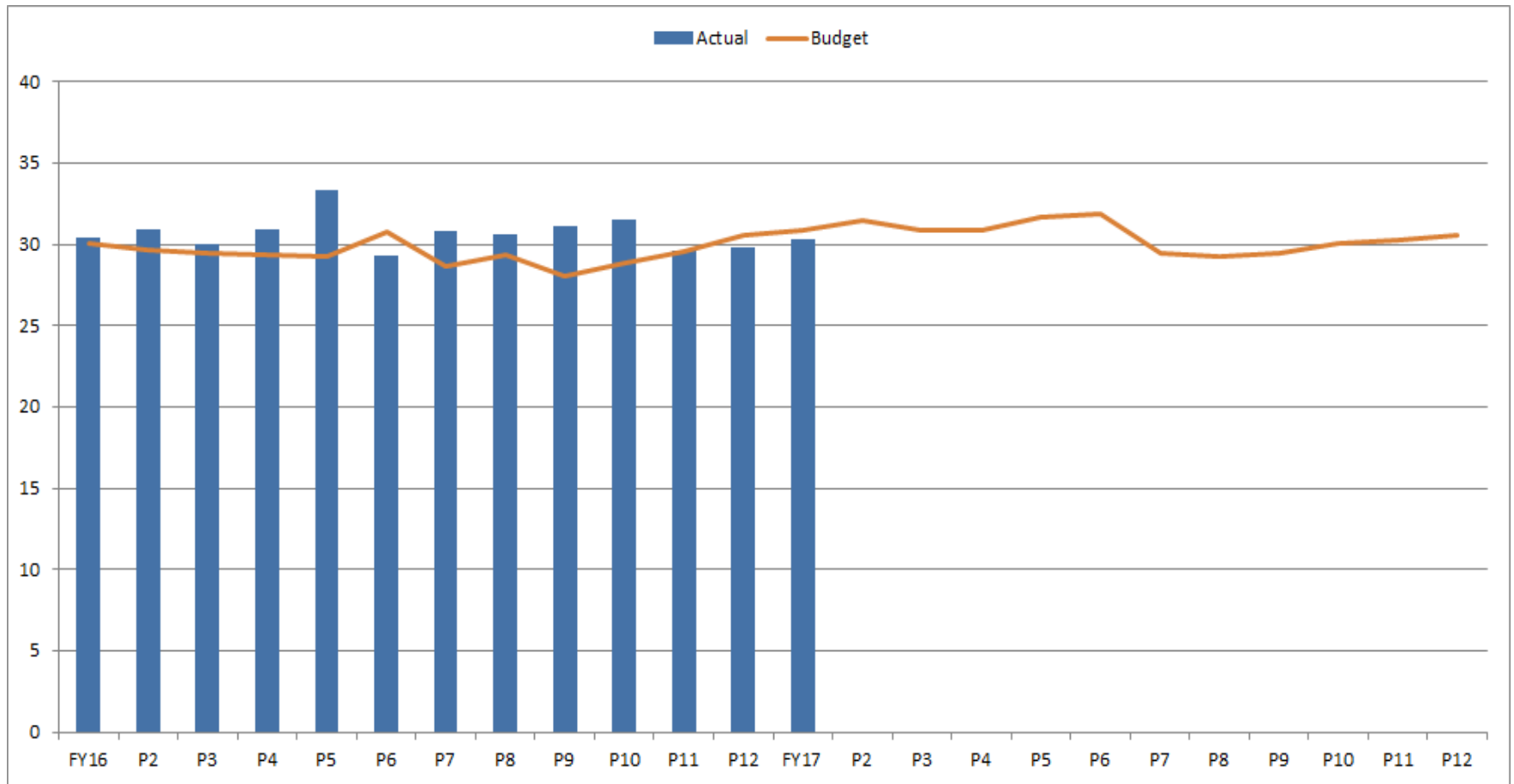
Run rate is booked operating income adjusted for material non-recurring transactions



FY 2017 Actual Run Rate Adjustments (in thousands)

		J	A	S	O	N	D	J	F	M	A	M	J
Revenue Adjustments	RAC Release	\$76	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Insurance Overpayment Release Spine	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Mcare Settlmt/Appeal/Tent Settlmt/PIP	-\$100	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Total	-\$31	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Expense Adjustments	Pay-For-Performance Bonus	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Actuarial Exp for Workers Comp	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Worked Hours per Adjusted Patient Day



Productivity has improved after EPIC go-live and is ahead of target in July .

Summary of Financial Results

\$ in Thousands

	Period 1 - Month			Period 1 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	7,717	2,677	5,041	7,717	2,677	5,041
Los Gatos	1,196	1,016	180	1,196	1,016	180
Sub Total - El Camino Hospital, excl. Affiliates	8,913	3,693	5,221	8,913	3,693	5,221
Operating Margin %	13.3%	5.7%		13.3%	5.7%	
El Camino Hospital Non Operating Income						
Investments	11,900	1,666	10,235	11,900	1,666	10,235
Swap Adjustments	(252)	0	(252)	(252)	0	(252)
Community Benefit	(131)	(283)	152	(131)	(283)	152
Other	(146)	(449)	304	(146)	(449)	304
Sub Total - Non Operating Income	11,371	933	10,439	11,371	933	10,439
El Camino Hospital Net Income (Loss)	20,285	4,626	15,659	20,285	4,626	15,659
ECH Net Margin %	30.3%	7.1%		30.3%	7.1%	
Concern	379	210	169	379	210	169
ECSC	(3)	0	(3)	(3)	0	(3)
Foundation	514	(43)	557	514	(43)	557
Silicon Valley Medical Development	191	(1)	192	191	(1)	192
Net Income Hospital Affiliates	1,080	166	914	1,080	166	914
Total Net Income Hospital & Affiliates	21,365	4,792	16,573	21,365	4,792	16,573

Actual to Budget Variance for hospital affiliates primarily due to drug, medical supplies, and EPIC labor/training expenses .

Smart Growth Summary FY2017 P1

	Actual	Budget	Diff	Notes
Deliveries	359	413	(54)	Delivery charge codes based on post date
NICU Level 2 & 3 Days	186	257	(71)	NICU 173 & 174 charge codes by post date
Inpatient Surgeries	331	388	(57)	Inpatient surgeries by post date
Outpatient Surgeries	455	535	(80)	Outpatient surgeries by post date (excludes Endo in OR)
OP Cath Lab Cases	173	163	10	Charge codes by service date, count # of patients
OP Endo Cases	143	208	(65)	Charge codes by service date, count # of patients
OP Infusion Cases	321	329	(8)	Charge codes by service date, count # of patients
OP Intvl Bronch Procedures	37	39	(2)	Select charge codes by post date + EPIC location of Endo room

Description of variances

Deliveries: Altos Oaks purchased by Stanford / loss of physicians in group

Endoscopy: 4 independent physicians account for 90 less cases / new recruitment added, Los Gatos Endo in OR to improve availability, service line administrator assigned to re-capture splitters

General Surgery: Loss of surgeons to Stanford & Good Samaritan

Orthopedic Surgery: Lost 2 surgeons mid-year at Los Gatos / key Mountain View surgeon on vacation in July. New co-management agreements under discussion to renew service line interest

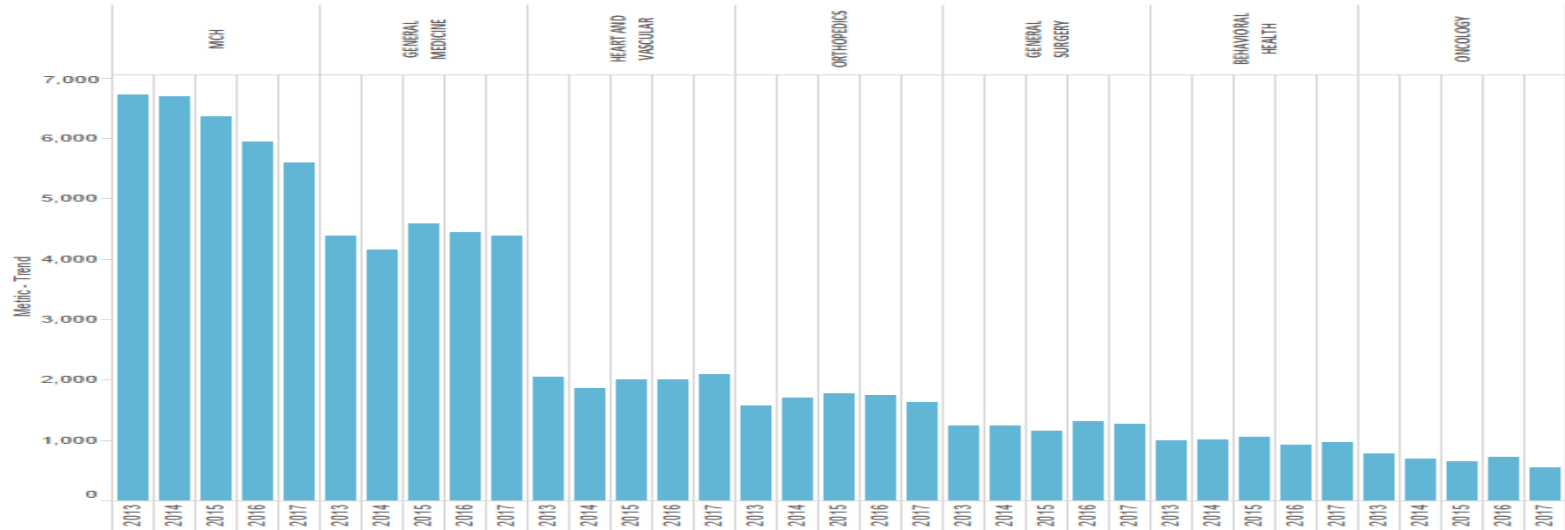
Urology: 8 physicians on vacation at various times in July, volume appears back on track

(1) Hospital entity only, excludes controlled affiliates

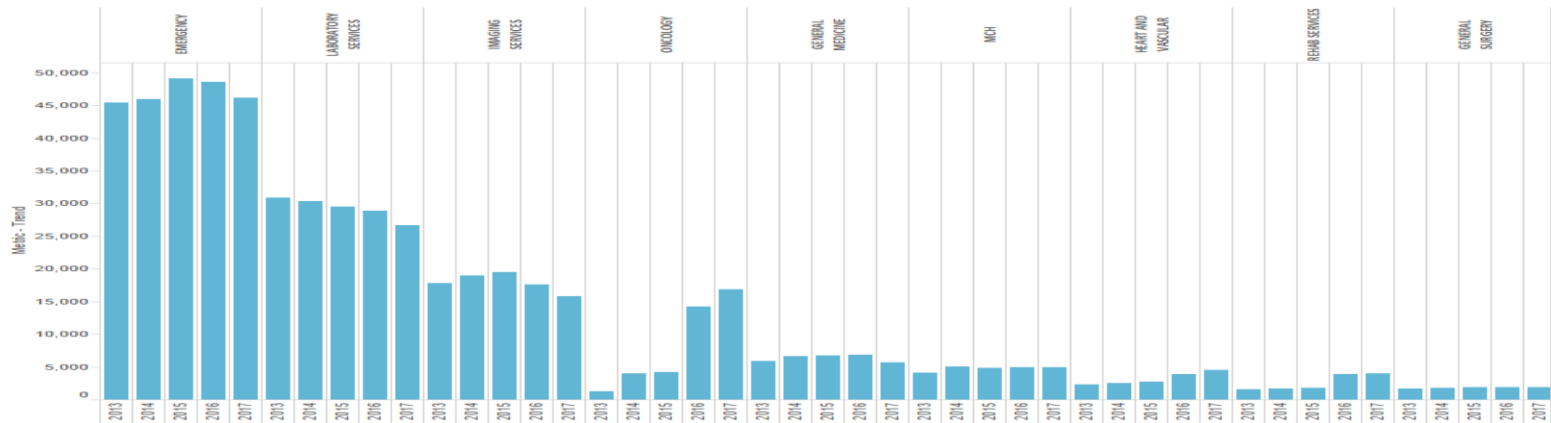
El Camino Hospital Volume Annual Trends

FY 2017 is annualized

IP



OP



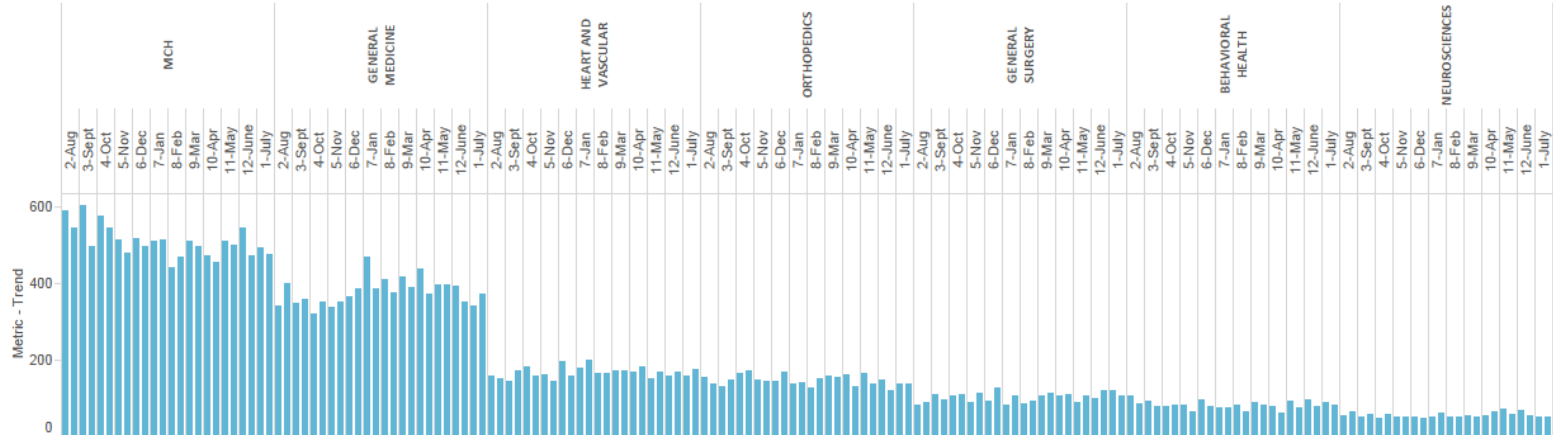
El Camino Hospital Volume Monthly Trends

Prior and Current Fiscal Years

Columns are in PY, CY Order

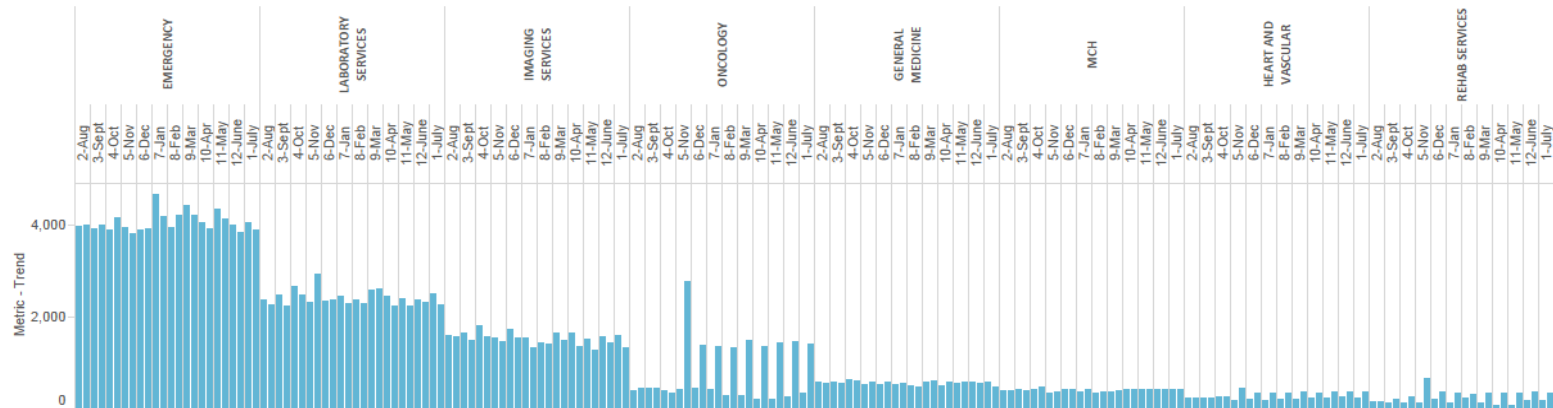
IP

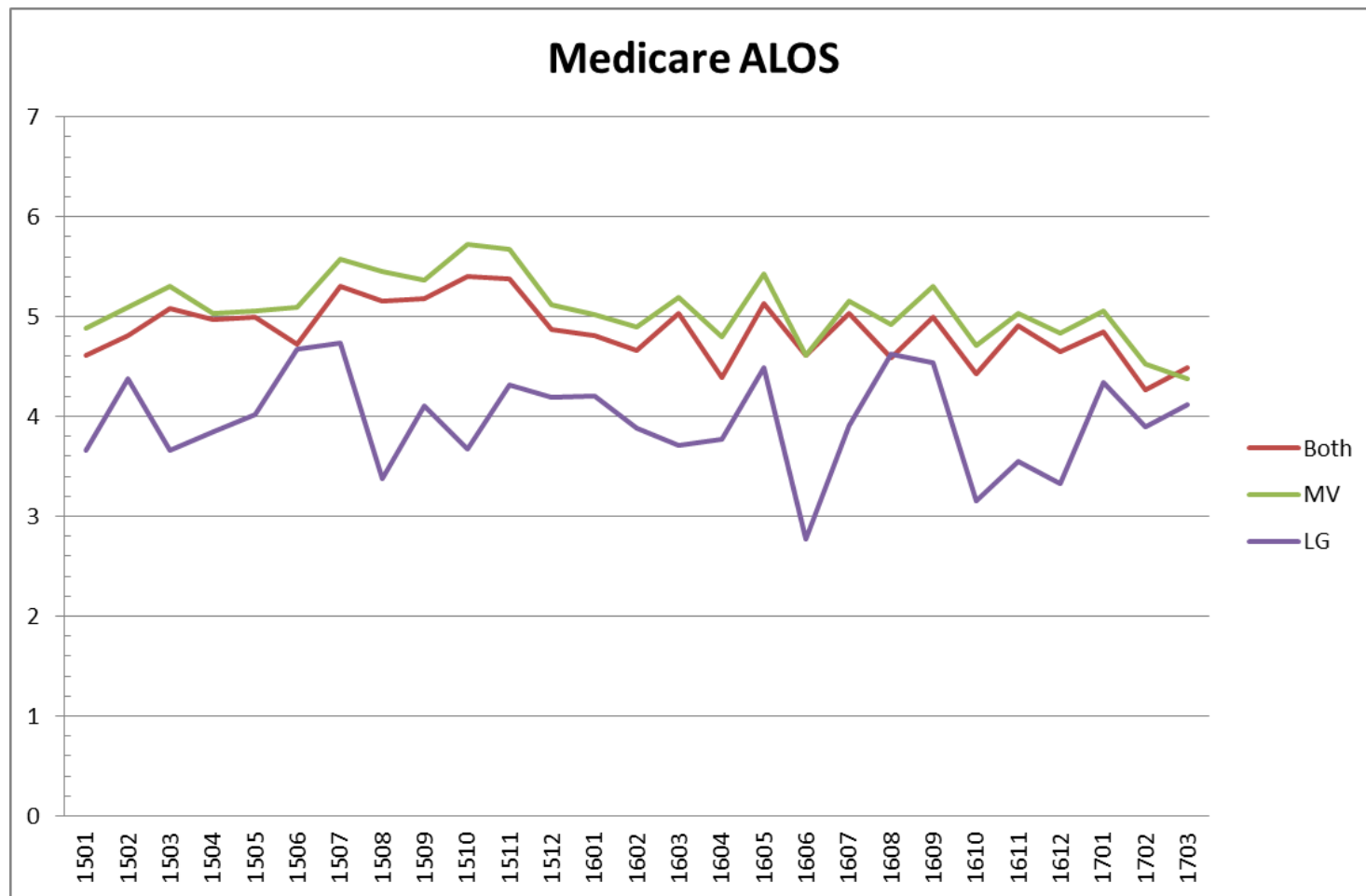
Service Line Trend - clicking on a service line excludes all others. Clicking a second time removes the filter. Filters apply to all graphs below.



OP

Service Line Trend - clicking on a service line excludes all others. Clicking a second time removes the filter. Filters apply to all graphs below.





- Medicare: Due to DRG reimbursement, financial results usually improve with decreased LOS
- Trend shows improvement in ALOS

El Camino Hospital Investment Committee Scorecard

Updated Quarterly

June 30, 2016

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY16 Year-end Budget	Expectation Per Asset Allocation
Investment Performance		2Q 2016		Fiscal Year-to-date		Since Inception (annualized)			Mar 2014/2012
Surplus cash balance & op. cash (millions)		\$727.7	--	--	--	--	--	\$699.8	--
Surplus cash return		1.8%	1.4%	0.1%	0.5%	4.4%	4.4%	4.0%	5.0%
Cash balance plan balance (millions)		\$221.5	--	--	--	--	--	\$224.2	--
Cash balance plan return		1.7%	1.4%	-0.3%	0.4%	7.0%	6.4%	6.0%	6.7%
403(b) plan balance (millions) ¹		\$330.6	--	--	--	--	--	--	--
Risk vs. Return		3-year				Since Inception (annualized)			Mar 2014/2012
Surplus cash Sharpe ratio		0.90	0.93	--	--	1.00	0.98	--	0.66
Net of fee return		4.3%	4.4%	--	--	4.4%	4.4%	--	5.0%
Standard deviation		4.7%	4.7%	--	--	4.4%	4.4%	--	7.2%
Cash balance Sharpe ratio		0.97	0.93	--	--	1.14	1.09	--	0.54
Net of fee return		6.2%	5.7%	--	--	7.0%	6.4%	--	6.7%
Standard deviation		6.4%	6.1%	--	--	6.0%	5.8%	--	10.6%
Asset Allocation		2Q 2016							
Surplus cash absolute variances to target		4.9%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target		4.3%	< 10%	--	--	--	--	--	--
Manager Compliance		2Q 2016							
Surplus cash manager flags		15	< 18	--	--	--	--	--	--
Cash balance plan manager flags		16	< 18	--	--	--	--	--	--

El Camino Hospital

Capital Spending (in millions)

	Category	Detail	Approved	Total Estimated Cost of Project	Total Authorized Active	Spent from Inception	FY 17 YTD Spent
CIP	EPIC Upgrade				6.1	0.0	0.0
IT Hardware, Software, Equipment*					5.4	0.3	0.3
Medical & Non Medical Equipment FY 16**					4.3	0.0	0.0
Medical & Non Medical Equipment FY 17					10.3	0.6	0.6
Facility Projects							
		1307 LG Upgrades	FY13	17.3	17.3	11.0	0.2
		1219 LG Spine OR	FY13	4.1	4.1	1.3	0.1
		1414 Integrated MOB	FY15	275.0	28.0	15.2	1.4
		1413 North Drive Parking Expansion	FY15	24.5	24.5	1.7	0.1
		1245 Behavioral Health Bldg	FY16	91.5	19.0	7.3	0.0
		1248 LG Imaging Phase II (CT & Gen Rad)	FY16	8.8	8.8	0.7	0.0
		1313/1224 LG Rehab HVAC System & Structural	FY16	3.7	3.7	1.8	0.0
		1502 Cabling & Wireless Upgrades	FY16	2.8	2.8	2.1	0.0
		1425 IMOB Preparation Project - Old Main	FY16	3.0	3.0	2.4	1.6
		1430 Women's Hospital Expansion	FY16	91.0	0.0	0.0	0.0
		1422 CUP Upgrade	FY16	9.0	1.5	1.0	0.0
		1503 Willow Pavilion Tomosynthesis	FY16	1.3	1.3	0.1	0.0
		1519/1314 LG Electrical Systems Upgrade	FY16	1.2	0.0	0.0	0.0
		1347 LG Central Sterile Upgrades	FY15	3.7	0.2	0.2	0.0
		1508 LG NICU 4 Bed Expansion	FY16	7.0	0.5	0.0	0.0
		1520 Facilities Planning Allowance	FY16	0.6	0.0	0.0	8.0
		1525 New Main Lab Upgrades		1.6	0.4	0.0	0.0
		1515 ED Remodel Triage/Psych Observation	FY16	1.6	0.0	0.0	0.0
		IR Room #6 Development		2.6	0.0	0.0	0.0
		1602 JW House (Patient Family Residence)		2.5	0.0	0.0	0.0
		1507 LG IR Upgrades	FY16	1.1	0.0	0.0	0.0
		LG Building Infrastructure Improvements		1.5	0.0	0.0	0.0
		1421 LG MOB Improvements (17)	FY15	5.9	0.0	0.0	0.0
		All Other Projects under \$1M		16.2	38.4	33.7	0.3
				577.5	153.4	78.4	11.7
GRAND TOTAL					179.5		12.6

*Excluding EPIC

** Unspent Prior Year routine used as contingency

2016 projected spend includes items to be presented for approval during the fiscal year

El Camino Hospital⁽¹⁾

Balance Sheet (Thousands)

ASSETS

	July 31, 2016	Unaudited June 30, 2016
CURRENT ASSETS		
Cash	58,642	59,169
Short Term Investments	110,264	105,284
Patient Accounts Receivable, net	115,166	116,059
Other Accounts and Notes Receivable	3,384	4,369
Intercompany Receivables	1,241	2,200
Inventories and Prepaids	46,112	43,278
Total Current Assets	334,809	330,359
BOARD DESIGNATED ASSETS		
Plant & Equipment Fund	121,590	119,650
Women's Hospital Expansion	8,961	-
Operational Reserve Fund	100,196	100,196
Community Benefit Fund	14,435	13,037
Workers Compensation Reserve Fund	22,339	22,309
Postretirement Health/Life Reserve Fund	18,391	18,256
PTO Liability Fund	22,588	22,984
Malpractice Reserve Fund	1,800	1,800
Catastrophic Reserves Fund	14,617	14,125
Total Board Designated Assets	324,918	312,358
FUNDS HELD BY TRUSTEE	30,867	30,841
LONG TERM INVESTMENTS	211,302	207,597
INVESTMENTS IN AFFILIATES	31,568	31,148
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,174,439	1,171,372
Less: Accumulated Depreciation	(489,881)	(485,856)
Construction in Progress	41,422	46,009
Property, Plant & Equipment - Net	725,980	731,525
DEFERRED OUTFLOWS	22,468	22,518
RESTRICTED ASSETS - CASH	3	0
TOTAL ASSETS	1,681,912	1,666,346

LIABILITIES AND FUND BALANCE

	July 31, 2016	Unaudited June 30, 2016
CURRENT LIABILITIES		
Accounts Payable	19,610	28,519
Salaries and Related Liabilities	22,120	22,992
Accrued PTO	22,588	22,984
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	11,110	11,314
Intercompany Payables	67	105
Malpractice Reserves	1,936	1,936
Bonds Payable - Current	3,635	3,635
Bond Interest Payable	2,290	5,459
Other Liabilities	2,749	2,684
Total Current Liabilities	88,404	101,929
LONG TERM LIABILITIES		
Post Retirement Benefits	18,391	18,256
Worker's Comp Reserve	20,039	20,009
Other L/T Obligation (Asbestos)	3,646	3,637
Other L/T Liabilities (IT/Medl Leases)	-	-
Bond Payable	226,832	226,580
Total Long Term Liabilities	268,909	268,482
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	999,679	983,577
Board Designated	324,918	312,358
Restricted	3	0
Total Fund Bal & Capital Accts	1,324,599	1,295,935
TOTAL LIABILITIES AND FUND BALANCE	1,681,912	1,666,346

⁽¹⁾ Hospital entity only, excludes controlled affiliates

APPENDIX

Dashboard - Mountain View

	Annual						Month			YTD		
	2013	2014	2015	2016	2017 Projection	2017 Bud/Target	PY	CY	Bud/Target	PY	CY	Bud/Target
Volume												
Licensed Beds	300	300	300	300	300	300	300	300	300	300	300	300
Acute Patient Days	72,245	71,084	73,360	73,010	70,428	72,687	5,863	5,869	5,876	5,863	5,869	5,876
ADC	198	195	201	199	193	199	189	189	190	189	189	190
Adjusted Acute Discharges	24,366	23,864	24,275	23,759	23,904	24,505	2,018	1,992	2,041	2,018	1,992	2,041
Acute Discharges	14,521	13,852	14,239	14,093	13,980	14,381	1,165	1,165	1,198	1,165	1,165	1,198
Inpatient total												
Acute	14,521	13,852	14,239	14,093	13,980	14,381	1,165	1,165	1,198	1,165	1,165	1,198
Deliveries	4,701	4,550	4,573	4,260	4,116	4,393	352	343	366	352	343	366
BHS	861	857	901	806	840	755	74	70	68	74	70	68
Rehab	0	0	0	0	0	0	0	0	0	0	0	0
OP total												
ED	34,920	35,447	38,443	37,739	36,732	40,208	3,174	3,061	3,351	3,174	3,061	3,351
OP Surg	2,837	3,299	3,428	3,207	3,336	3,447	283	278	287	283	278	287
Endo	1979	2,300	2,365	2,231	1,644	2,320	207	137	193	207	137	193
Interventional	1698	1,900	2,122	2,203	2,520	2,006	199	210	167	199	210	167
All Other	59,478	63,862	62,072	73,407	72,480	77,032	5,273	6,040	6,419	5,273	6,040	6,419
Financial Performance (\$000s)												
Net Revenues	557,533	589,420	603,788	632,800	639,818	640,625	48,462	53,318	50,909	48,462	53,318	50,909
Operating Expenses	516,892	550,736	562,790	607,214	565,619	619,072	47,238	47,135	50,157	47,238	47,135	50,157
Operating Income \$	55,324	56,518	59,684	46,918	92,607	44,036	3,308	7,717	2,677	3,308	7,717	2,677
Operating Margin	9.7%	9.3%	9.6%	7.2%	14.1%	6.6%	6.5%	14.1%	5.1%	6.5%	14.1%	5.1%
EBITDA \$	105,938	105,814	103,637	96,770	141,871	96,900	6,981	11,822	7,055	6,981	11,823	7,055
EBITDA %	18.5%	17.4%	16.6%	14.8%	21.6%	14.6%	13.8%	21.6%	13.4%	13.8%	21.6%	13.4%
Payor Mix												
Medicare	42.0%	44.0%	46.4%	46.2%	46.7%	45.0%	43.8%	46.7%	45.0%	43.8%	46.7%	45.0%
Medi-Cal	5.4%	6.5%	7.1%	7.9%	7.7%	8.3%	8.6%	7.7%	8.3%	8.6%	7.7%	8.3%
Commercial IP	28.6%	25.7%	24.2%	23.6%	22.0%	23.6%	23.5%	22.0%	23.6%	23.5%	22.0%	23.6%
Commercial OP	19.2%	18.9%	18.4%	18.6%	19.7%	19.1%	19.9%	19.7%	19.1%	19.9%	19.7%	19.1%
Total Commercial	47.8%	44.6%	42.6%	42.2%	41.7%	42.7%	43.5%	41.7%	42.7%	43.5%	41.7%	42.7%
Other	4.8%	4.9%	3.9%	3.7%	4.0%	4.0%	4.1%	4.0%	4.0%	4.1%	4.0%	4.0%
Cost												
Employees	1,901.0	2,027.6	2,029.9	2,163.0	2,061.6	2,123.0	2,143.4	2,061.6	2,053.0	2,143.4	2,061.6	2,053.0
Hrs/APD	29.58	30.16	29.60	30.97	30.23	29.93	30.88	30.23	31.77	30.88	30.23	29.93

Dashboard - Los Gatos

	Annual						Month			YTD		
	2013	2014	2015	2016	2017 Projection	2017 Bud/Target	PY	CY	Bud/Target	PY	CY	Bud/Target
Volume												
Licensed Beds	143	143	143	143	143	143	143	143	143	143	143	143
ADC	42	43	45	43	42	46	40	41	45	40	41	45
Adjusted Acute Discharges	4,544	4,737	4,778	4,599	4,336	4,942	372	361	412	372	361	412
Acute Discharges	2,722	2,742	2,813	2,726	2,472	2,904	204	206	242	204	206	242
Inpatient total												
Acute	2,722	2,742	2,813	2,726	2,472	2,904	204	206	242	204	206	242
Deliveries	771	823	700	656	612	662	53	51	55	53	51	55
BHS	0	0	0	0	0	0	0	0	0	0	0	0
Rehab	525	547	555	500	552	570	39	46	48	39	46	48
OP total												
ED	10,605	10,609	10,687	10,922	10,332	11,045	882	861	920	882	861	920
OP Surg	3,015	3,104	3,060	2,867	2,580	2,557	264	215	213	264	215	261
Endo	263	192	155	91	12	159	14	1	13	14	1	13
Interventional	11	17	22	24	0	43	1	0	4	1	0	4
All Other	4,874	5,477	5,759	7,266	7,956	8,223	483	663	685	1,329	663	685
Financial Performance (\$000s)												
Net Revenues	128,794	131,702	142,858	139,221	142,416	148,960	10,733	11,868	12,038	10,733	11,868	12,038
Operating Expenses	115,461	118,944	126,841	135,830	130,092	139,735	10,925	10,841	11,232	10,925	10,841	11,232
Operating Income \$	13,802	13,787	18,436	5,695	14,340	11,801	-3	1,196	1,016	-3	1,195	1,016
Operating Margin	10.7%	10.4%	12.7%	4.0%	9.9%	7.8%	0.0%	9.9%	8.3%	0.0%	9.9%	8.3%
EBITDA \$	18,784	19,440	24,365	11,784	20,832	19,011	497	1,737	1,553	497	1,736	1,553
EBITDA %	14.5%	14.6%	16.8%	8.3%	14.4%	12.5%	4.6%	14.4%	12.7%	4.6%	14.4%	12.7%
IP Margin												
OP Margin												
Payor Mix												
Medicare	45.5%	44.0%	46.1%	48.2%	53.1%	47.5%	47.5%	53.1%	47.5%	47.5%	53.1%	47.5%
Medi-Cal	2.9%	3.5%	4.3%	5.1%	3.5%	4.7%	5.1%	3.5%	4.7%	5.1%	3.5%	4.7%
Commercial IP	25.3%	25.9%	23.8%	21.4%	20.6%	22.2%	22.3%	20.6%	22.2%	22.3%	20.6%	22.2%
Commercial OP	17.0%	19.1%	20.0%	19.4%	20.0%	20.2%	21.0%	20.0%	20.2%	21.0%	20.0%	20.2%
Total Commercial	42.3%	45.0%	43.8%	40.8%	40.5%	42.4%	43.3%	40.5%	42.4%	43.3%	40.5%	42.4%
Other	9.3%	7.5%	5.8%	5.9%	3.0%	5.5%	4.1%	3.0%	5.5%	4.1%	3.0%	5.5%
Cost												
Employees	388.0	408.1	422.6	421.8	418.7	413.4	420.0	418.7	413.4	420.0	418.7	413.4
Hrs/APD	29.13	27.65	28.00	29.34	28.21	27.50	29.34	28.21	27.31	29.34	28.21	27.50

El Camino Hospital – Mountain View (\$000s)⁽¹⁾

1 month ending 7/31/2016

PERIOD 1 FY 2016	PERIOD 1 FY 2017	PERIOD 1 Budget 2017	Variance Fav (Unfav)	Var%
179,020	193,631	189,826	3,805	2.0%
(130,557)	(140,313)	(138,917)	(1,396)	1.0%
48,462	53,318	50,909	2,410	4.7%
2,084	1,534	1,926	(392)	-20.3%
50,546	54,852	52,834	2,018	3.8%
29,173	29,540	30,256	716	2.4%
8,089	7,080	7,930	850	10.7%
5,999	5,652	6,886	1,235	17.9%
304	758	706	(51)	-7.3%
451	616	602	(14)	-2.4%
3,222	3,489	3,776	287	7.6%
47,238	47,135	50,157	3,023	6.0%
3,308	7,717	2,677	5,041	188.3%
1,266	11,371	933	10,439	1119.0%
4,574	19,089	3,610	15,479	428.8%
11.3%	19.3%	11.0%	8.3%	
6.5%	14.1%	5.1%	9.0%	
9.0%	34.8%	6.8%	28.0%	

\$000s OPERATING REVENUE

Gross Revenue
Deductions
Net Patient Revenue
Other Operating Revenue
Total Operating Revenue

OPERATING EXPENSE

Salaries & Wages
Supplies
Fees & Purchased Services
Other Operating Expense
Interest
Depreciation
Total Operating Expense
Net Operating Income/(Loss)
Non Operating Income
Net Income(Loss)

EBITDA

Operating Margin

Net Margin

YTD FY 2016	YTD FY 2017	YTD Budget 2017	Variance Fav (Unfav)	Var%
179,020	193,631	189,826	3,805	2.0%
(130,557)	(140,313)	(138,917)	(1,396)	1.0%
48,462	53,318	50,909	2,410	4.7%
2,084	1,534	1,926	(392)	-20.3%
50,546	54,852	52,834	2,018	3.8%
29,173	29,540	30,256	716	2.4%
8,089	7,080	7,930	850	10.7%
5,999	5,652	6,886	1,235	17.9%
304	758	706	(51)	-7.3%
451	616	602	(14)	-2.4%
3,222	3,489	3,776	287	7.6%
47,238	47,135	50,157	3,023	6.0%
3,308	7,717	2,677	5,041	188.3%
1,266	11,371	933	10,439	1119.0%
4,574	19,089	3,610	15,479	428.8%
11.3%	19.3%	11.0%	8.3%	
6.5%	14.1%	5.1%	9.0%	
9.0%	34.8%	6.8%	28.0%	

⁽¹⁾ Hospital only, excludes controlled affiliates

El Camino Hospital – Los Gatos(\$000s) ⁽¹⁾

1 month ending 7/31/2016

PERIOD 1 FY 2016	PERIOD 1 FY 2017	PERIOD 1 Budget 2017	Variance Fav (Unfav)	Var%
37,946	37,631	43,593	(5,961)	-13.7%
(27,213)	(25,763)	(31,555)	5,792	-18.4%
10,733	11,868	12,038	(170)	-1.4%
189	168	210	(42)	-19.9%
10,923	12,037	12,248	(212)	-1.7%
5,940	5,974	6,090	116	1.9%
1,625	1,360	1,737	377	21.7%
1,343	1,347	1,309	(38)	-2.9%
1,518	1,619	1,560	(59)	-3.8%
0	0	0	0	0.0%
500	541	537	(4)	-0.8%
10,925	10,841	11,232	392	3.5%
(3)	1,196	1,016	180	17.7%
0	0	0	0	0.0%
(3)	1,196	1,016	180	17.7%
16.0%	24.8%	22.9%	1.9%	
0.0%	9.9%	8.3%	1.6%	
0.0%	9.9%	8.3%	1.6%	

\$000s

OPERATING REVENUE

Gross Revenue

Deductions

Net Patient Revenue

Other Operating Revenue

Total Operating Revenue

OPERATING EXPENSE

Salaries & Wages

Supplies

Fees & Purchased Services

Other Operating Expense

Interest

Depreciation

Total Operating Expense

Net Operating Income/(Loss)

Non Operating Income

Net Income(Loss)

EBITDA

Operating Margin

Net Margin

YTD FY 2016	YTD FY 2017	YTD Budget 2017	Variance Fav (Unfav)	Var%
37,946	37,631	43,593	(5,961)	-13.7%
(27,213)	(25,763)	(31,555)	5,792	-18.4%
10,733	11,868	12,038	(170)	-1.4%
189	168	210	(42)	-19.9%
10,923	12,037	12,248	(212)	-1.7%
5,940	5,974	6,090	116	1.9%
1,625	1,360	1,737	377	21.7%
1,343	1,347	1,309	(38)	-2.9%
1,518	1,619	1,560	(59)	-3.8%
0	0	0	0	0.0%
500	541	537	(4)	-0.8%
10,925	10,841	11,232	392	3.5%
(3)	1,196	1,016	180	17.7%
0	0	0	0	0.0%
(3)	1,196	1,016	180	17.7%
16.0%	24.8%	22.9%	1.9%	
0.0%	9.9%	8.3%	1.6%	
0.0%	9.9%	8.3%	1.6%	

⁽¹⁾ Hospital only, excludes affiliates

El Camino Hospital Capital Spending (in thousands) FY 2012 – FY 2016

Category	2012	2013	2014	2015	2016
IT Hardware/Software Equipment	7,289	8,019	2,788	4,660	6,483
Medical/Non Medical Equipment	11,203	10,284	12,891	13,340	11,846
Non CIP Land, Land I, BLDG, Additions	7,311	0	22,292	0	30,274

Facilities Projects CIP

0101 - Hosp Replace	313	0	0	0	0
0317 - Melchor TI's	117	0	0	0	0
0701 - Cyberknife	0	0	0	0	0
0704 - 1 South Upgrade	2	0	0	0	0
0802 - Willow Pavillion Upgrades	0	0	0	0	0
0805 - Women's Hospital Finishes	0	0	0	0	0
0809 - Hosp Renovations	0	0	0	0	0
0815 - Orc Pav Water Heater	0	0	0	0	0
0816 - Hospital Signage	0	0	0	0	0
0904 - LG Facilities Upgrade	41	2	0	0	0
0907 - LG Imaging Masterplan	162	244	774	1,402	17
1000 - LG Rehab Building	0	0	0	0	0
1104 - New Main CDU TV's	0	0	0	0	0
9900 - Unassigned Costs	279	734	470	3,717	0
0803 - Park Pav Foundation	270	0	0	0	0
1005 - LG OR Light Upgrd	108	14	0	0	0
1101 - Melchor Pavilion - Genomics	0	0	0	0	0
1102 - LG Joint Hotel	657	0	0	0	0
1106 - SHC Project	2,245	0	0	0	0
1108 - Cooling Towers	932	450	0	0	0
1115 - Womens Hosp TI's	50	0	0	0	0
1118 - Park Pav Roto Care	119	0	0	0	0
1120 - BHS Out Patient TI's	472	66	0	0	0
1122 - LG Sleep Studies	147	7	0	0	0
1129 - Old Main Card Rehab	400	9	0	0	0
0817 - Womens Hosp Upgrds	1,242	645	1	0	0
0906 - Slot Build-Out	0	1,003	1,576	15,101	1,251
1107 - Boiler Replacement	49	0	0	0	0
1109 - New Main Upgrades	589	423	393	2	0
1111 - Mom/Baby Overflow	267	212	29	0	0
1129 - Cardic Rehab Improv	0	0	0	0	0
1132 - Pneumatic Tube Prj	78	0	0	0	0
1204 - Elevator Upgrades	24	25	30	0	0
1210 - Los Gatos VOIP	1	147	89	0	0
0800 - Womens L&D Expansion	129	2,104	1,531	269	0
1116 - LG Ortho Pavillion	44	177	24	21	0
1124 - LG Rehab BLDG	11	49	458	0	0
1128 - LG Boiler Replacement	3	0	0	0	0
1131 - MV Equipment Replace	190	216	0	0	0
1135 - Park Pavilion HVAC	47	0	0	0	0
1208 - Willow Pav. High Risk	0	110	0	0	0
1213 - LG Sterilizers	0	102	0	0	0
1225 - Rehab BLDG Roofing	0	7	241	4	0
1227 - New Main eICU	0	96	21	0	0
1230 - Fog Shop	0	339	80	0	0
1247 - LG Infant Security	0	134	0	0	0
1307 - LG Upgrades	0	376	2,979	3,282	3,511
1308 - LG Infrastructure	0	0	114	0	0
1313 - LG Rehab HVAC System/Structural	0	0	0	0	1,597
1315 - 205 So. Drive TI's	0	0	500	2	0
0908 - NPCR3 Seismic Upgrds	554	1,302	1,224	1,328	240

Category	2012	2013	2014	2015	2016
Facilities Projects CIP cont.					
1125 - Will Pav Fire Sprinkler	9	57	39	0	0
1211 - SIS Monitor Install	0	215	0	0	0
1216 - New Main Process Imp Office	0	19	1	16	0
1217 - MV Campus MEP Upgrades FY13	0	0	181	274	28
1219 - LG Spine OR	0	0	214	323	633
1221 - LG Kitchen Refrig	0	0	85	0	0
1224 - Rehab Bldg HVAC Upgrades	0	11	202	81	14
1245 - Behavioral Health Bldg Replace	0	0	1,257	3,775	1,389
1248 - LG - CT Upgrades	0	0	26	345	197
1249 - LG Mobile Imaging	0	0	146	0	0
1301 - Desktop Virtual	0	0	13	0	0
1304 - Rehab Wander Mgmt	0	0	87	0	0
1310 - Melchor Cancer Center Expansion	0	0	44	13	0
1318 - Women's Hospital TI	0	0	48	48	29
1327 - Rehab Building Upgrades	0	0	0	15	20
1320 - 2500 Hosp Dr Roofing	0	0	75	81	0
1328 - LG Ortho Canopy FY14	0	0	255	209	0
1340 - New Main ED Exam Room TVs	0	0	8	193	0
1341 - New Main Admin	0	0	32	103	0
1344 - New Main AV Upgrd	0	0	243	0	0
1345 - LG Lab HVAC	0	0	112	0	0
1346 - LG OR 5, 6, and 7 Lights Replace	0	0	0	285	53
1347 - LG Central Sterile Upgrades	0	0	0	181	43
1400 - Oak Pav Cancer Center	0	0	0	5,208	666
1403 - Hosp Drive BLDG 11 TI's	0	0	86	103	0
1404 - Park Pav HVAC	0	0	64	7	0
1405 - 1-South Accessibility Upgrades	0	0	0	0	168
1408 - New Main Accessibility Upgrades	0	0	0	7	46
1413 - North Drive Parking Structure Exp	0	0	0	167	1,266
1414 - Integrated MOB	0	0	0	2,009	8,875
1415 - Signage & Wayfinding	0	0	0	0	106
1416 - MV Campus Digital Directories	0	0	0	0	34
1421 - LG MOB Improvements	0	0	0	198	65
1422 - CUP Upgrade	0	0	0	0	896
1423 - MV MOB TI Allowance	0	0	0	0	588
1425 - IMOB Preparation Project - Old Mai	0	0	0	0	711
1429 - 2500 Hospital Dr Bldg 8 TI	0	0	0	101	0
1432 - 205 South Dr BHS TI	0	0	0	8	15
1501 - Women's Hospital NPC Comp	0	0	0	4	0
1502 - Cabling & Wireless Upgrades	0	0	0	0	1,261
1503 - Willow Pavilion Tomosynthesis	0	0	0	0	53
1504 - Equipment Support Infrastructure	0	0	0	61	311
1523 - Melchor Pavilion Suite 309 TI	0	0	0	0	10
1526 - CONCERN TI	0	0	0	0	37
1550 - Land Acquisition	0	0	0	0	24,007
Subtotal Facilities Projects CIP	9,553	9,294	13,753	38,940	48,136
Grand Total	35,357	27,598	51,723	56,940	96,739
Forecast at Beginning of year	47,138	70,503	70,037	65,420	114,025

ED Orthopedic On-Call Panel (MV)

ECH BOARD MEETING AGENDA ITEM COVER SHEET

Item:	Orthopedic ED Call Panel – MV El Camino Hospital Board of Directors October 12, 2016
Responsible party:	William Faber, MD, Chief Medical Officer
Action requested:	Board Approval
<p>Background: The Hospital has separate orthopedic panels at each campus in which orthopedic surgeons respond when needed for emergency evaluations and surgical interventions for patients in the Emergency Departments. Currently, the Mountain View Campus has 19 orthopedic surgeons contracted at the rate of \$920.00/day, 11 of which are PAMF physicians. This rate has been unchanged since October 29, 2013. The PAMF physicians submitted a 90-day termination letter and their contract will terminate October 31, 2016.</p> <p>The Hospital has negotiated an increased rate of \$1,200.00/day with the MV orthopedic surgeons, which is at the 75th percentile according to the MD Ranger reports.</p>	
Other Board Advisory Committees that reviewed the issue and recommendation, if any: None.	
Summary and session objectives: To approve delegating to the CEO the authority to renew the Mountain View Orthopedics On-Call agreements for an additional two years at the increased rate of \$1,200.00/day.	
Suggested discussion questions: None	
<p>Proposed Board motion, if any:</p> <p>To approve two-year renewals of the Orthopedic ED Call Panel Agreements for the Mountain View campus at the rate of \$1,200.00/day, which is a greater than 10% increase.</p>	
LIST OF ATTACHMENTS: 10-Step	

Memorandum

Date: October 12, 2016

To: El Camino Hospital Board of Directors

From: William Faber, MD, Chief Medical Officer

Subject: **Orthopedic ED Call Panel – MV**

1. **Recommendation:** We request that the Board of Directors approve delegating to the CEO the authority to renew the Mountain View Orthopedic On-Call Agreements at an increased rate of \$1,200.00/day.
2. **Problem/Opportunity Definition:** The Hospital has separate orthopedic call panels at each campus in which orthopedic surgeons respond when needed for emergency evaluations and surgical interventions for patients in the emergency departments. Currently, the Mountain View Campus has 19 orthopedic surgeons contracted at the rate of \$920.00/day, 11 of which are PAMF physicians. This rate has been unchanged since October 29, 2013. PAMF has submitted a 90-day termination notice for their MV Orthopedic Call Panel Agreement, and their contract will expire October 31, 2016.

The Hospital has negotiated an increased rate of \$1,200.00/day with the MV Orthopedic Surgeons, which is at the 75th percentile according to MD Ranger reports.

3. **Authority:** According to Administrative Policies and Procedures 51.00, Finance Committee review and Board approval is required prior to CEO signature of physician agreements with a greater than 10% increase in total compensation.
4. **Process Description:** Upon Board approval, Orthopedic Call Panel Agreements for the Mountain View campus will be renewed for an additional two years through October 31, 2018 at a not to exceed rate of \$1,200.00/day.
5. **Alternative Solution which Includes Cost Benefit/SWOT Analysis:** An alternative solution is not being considered at this time.
6. **Concurrence for Recommendation:** The renewal of the Agreements is supported by the Chief Operating Officer.

7. **Outcome Measures and Deadlines:** Physicians will participate in the peer review process for consultations and subsequent surgeries related to orthopedic call.
8. **Legal Review:** Legal counsel will review the final Agreement prior to execution.
9. **Compliance Review:** Compliance will review and approve the proposed Agreement and compensation prior to execution.
10. **Financial Review:** Compensation will be constrained to a not to exceed amount of \$1,200.00 per day, which is at the 75th percentile for fair market value according to MD Ranger reports. A renewal term of two years will be proposed.

Annual 403(b) Plan Audit

FINAL DRAFT

Report of Independent Auditors and
Financial Statements with
Supplementary Information

**El Camino Hospital 403(b)
Retirement Plan**

December 31, 2015 and 2014

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REPORT OF INDEPENDENT AUDITORS

To the Trustees
El Camino Hospital 403(b) Retirement Plan

Report on Financial Statements

We were engaged to audit the accompanying financial statements of El Camino Hospital 403(b) Retirement Plan (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2015 and 2014, and the related statement of changes in net assets available for benefits for the year ended December 31, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audits in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's (DOL's) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA), the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 7, which was certified by Fidelity Management Trust Company, Lincoln National Life Insurance Company, and The Variable Annuity Life Insurance Company, custodians of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that the custodians hold the Plan's investment assets and execute investment transactions. The plan administrator has obtained a certification from the custodians as of December 31, 2015 and 2014, and for the year ended December 31, 2015, that the information provided to the plan administrator by the custodians is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

The Schedule H, Line 4(i) – Schedule of Assets (Held at End of Year) as of December 31, 2015, is required by the DOL's Rules and Regulations for Reporting and Disclosure under ERISA and is presented for the purpose of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on this supplementary information.

Report on Form and Content in Compliance with DOL Rules and Regulations

The form and content of the information included in the financial statements and supplementary information, other than that derived from the information certified by the custodians, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA.

Santa Rosa, California
_____, 2015

FINANCIAL STATEMENTS

EL CAMINO HOSPITAL 403(b) RETIREMENT PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Investments, at fair value		
Registered investment companies	\$ 269,682,485	\$ 253,965,993
Money market account	12,227,516	12,585,311
Self directed brokerage account	6,424,293	3,488,120
	<u>288,334,294</u>	<u>270,039,424</u>
Guaranteed investment contract, at contract value	<u>26,495,661</u>	<u>27,813,559</u>
Total investments	314,829,955	297,852,983
Receivables		
Notes receivable from participants	6,355,459	5,410,666
Employer match receivable	9,857,231	9,182,941
	<u>16,212,690</u>	<u>14,593,607</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u><u>\$ 331,042,645</u></u>	<u><u>\$ 312,446,590</u></u>

FINAL DRAFT

See accompanying notes.

EL CAMINO HOSPITAL 403(b) RETIREMENT PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Year Ended December 31, 2015

ADDITIONS TO NET ASSETS ATTRIBUTED TO

Investment income	
Net depreciation in fair value of investments	\$ (12,423,765)
Dividends and interest	12,426,638
Revenue credits	65,024
Total investment income	<u>67,897</u>
Interest income on notes receivable from participants	238,328
Contributions	
Participant deferrals	27,135,115
Employer match contributions	9,857,231
Rollover contributions	2,887,810
Total contributions	<u>39,880,156</u>
Total additions	40,186,381

DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO

Benefits paid to participants	21,549,680
Deemed distributions	40,646
Total deductions	<u>21,590,326</u>

CHANGE IN NET ASSETS

	18,596,055
NET ASSETS AVAILABLE FOR BENEFITS, beginning of year	<u>312,446,590</u>
NET ASSETS AVAILABLE FOR BENEFITS, end of year	<u><u>\$ 331,042,645</u></u>

EL CAMINO HOSPITAL 403(b) RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF PLAN

The following description of the El Camino Hospital 403(b) Retirement Plan (the Plan) provides only general information. Participants should refer to the plan agreement, as amended, for a more complete description of plan provisions.

General – The Plan is a 403(b) defined contribution retirement plan covering all employees of El Camino Hospital (the Hospital), including hospital-represented, PRN, and SEIU-UHW participants. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The Hospital is the Plan's sponsor and serves as plan administrator.

Eligibility – All full-time, part-time, and per-diem employees of the Hospital are eligible to participate in elective contributions in the Plan upon date of hire. Employees are eligible to receive employer matching contributions upon completion of one year of service, defined as working 12 months for a minimum of 1,000 hours.

Contributions – Participants may elect to contribute up to the legal limit on a before-tax basis. The Plan permits the automatic enrollment of eligible full time employees in the Plan with contributions of 1% of eligible compensation, unless the employee affirmatively elects otherwise. Employer matching contributions are made for eligible employees based on a percentage of a participant's eligible compensation. Employer matching contributions range from 4% to 6% and are determined based on years of continuous service. Contributions are subject to regulatory limitations.

Participant accounts – Each participant's account is credited with the participant's and employer's contributions and allocations of plan earnings, and charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined. Participants may direct the investment of their account balances into various investment options offered by the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting – Participants are fully vested in their salary deferrals plus actual earnings thereon. All participants vest 100% in the Hospital's matching contributions after three benefit years of credited service.

Notes receivable from participants – Participants may borrow from their accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. The maximum loan term is five years unless the loan term qualifies as a home loan, in which case the term of the loan is not to exceed fifteen years.

Loans are secured by the balance of the participant's account and bear fixed, reasonable rates of interest, as determined by the custodians. Principal and interest are paid ratably through payroll deductions or paid directly by the participant to the custodians through monthly ACH transactions. As of December 31, 2015, the rates of interest on outstanding loans with Fidelity Management Trust Company (Fidelity) ranged from 4.25% to 6.25%, with various maturities through November 2030. The loans with Fidelity are considered assets of the Plan and totaled \$6,355,459 and \$5,410,666 as of December 31, 2015 and 2014, respectively.

Prior to 2009, the Plan allowed plan loans made directly between the participant and Lincoln National Life Insurance Company (Lincoln) and The Variable Annuity Life Insurance Company (VALIC) and collateralized by the participant's account. For loans outstanding with Lincoln, participants are charged an interest rate of 7%, of which 4.5% is credited to participant accounts and 2.5% is paid to Lincoln as a loan administration fee. The rates of interest on outstanding loans with VALIC ranged from 3% to 4.50%, with various maturities through November 2018. The total collateral included in the Plan's assets was approximately \$217,000 and \$212,000 at Lincoln and \$39,000 and \$38,000 at VALIC as of December 31, 2015 and 2014, respectively. The loans themselves are not reported assets of the Plan.

Payment of benefits – On termination of service due to death, disability, or retirement, a participant may elect to receive either a lump-sum amount equal to the value of the participant's account balance, or annual installments over a period of time. For termination of service for other reasons, a participant may receive the value of the vested interest in their account as a lump-sum distribution.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The financial statements of the Plan are prepared under the accrual method of accounting.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein. Actual results could differ from those estimates.

EL CAMINO HOSPITAL 403(b) RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

Accounting standards update - In July 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-12, *Plan Accounting: Defined Contribution Pension Plans (Topic 962) I. Fully Benefit-Responsive Investment Contracts; II. Plan Investment Disclosures*. The amendments remove the requirement to:

- Report fully benefit-responsive guaranteed investment contracts at fair value. See Note 4.
- Disclose individual investments held which exceed 5% of net assets available for benefits.
- Disclose net appreciation in fair value of investments by type of investment held.
- Disaggregate investments reported in the fair value hierarchy table by class of investment. They may be presented by general type only.

ASU 2015-12 has been adopted for the December 31, 2015 plan year end, however, the retrospective approach requires that the above items, applicable to the prior year, be presented in accordance with ASU 2015-12 as well.

Investment valuation - The investments are reported at fair value and contract value. The Plan's custodians, Fidelity, Lincoln and VALIC, certify the contract value of the guaranteed investment contracts and the fair market value of all other investments. If available, quoted market prices are used to value investments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability (the "exit price") in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements.

Contract value is the relevant measurement for assets invested in fully benefit-responsive investment contracts because contract value is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the Plan.

Income recognition - Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded on the accrual basis. The net appreciation or depreciation in fair value of investments consists of both the realized gains and losses and unrealized appreciation and depreciation of those investments.

Benefits paid to participants - Benefits are recorded when paid.

Administrative and investment expenses - Administrative expenses related to operating and maintaining the Plan are paid by the Hospital. Certain investment and transaction fees are paid by participants in the Plan.

The Plan entered into a revenue credit program with Fidelity where revenue credits are deposited to an account held in the plan. The amount of the revenue sharing received from each investment manager and calculated for each quarter using the fund balances in the Program is credited to the account. Amounts in this account are used to offset program administrative expenses and any amounts unused for expenses will be allocated to participant accounts. During the year ended December 31, 2015, the account was credited with \$162,000 in revenue sharing and used \$64,600 to pay administrative fees. As of December 31, 2015 and 2014, revenue credits held in the plan were approximately \$409,000 and \$311,000, and will be allocated to participants subsequent to year end.

Subsequent events - Subsequent events are events or transactions that occur after the statement of net assets available for benefits date but before the financial statements are available to be issued. The Plan recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of net assets available for benefits, including the estimates inherent in the process of preparing the financial statements. The Plan's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of net assets available for benefits but arose after the statement of net assets available for benefits date and before the financial statements are available to be issued.

The Plan has evaluated subsequent events through 2016, 2016, which is the date the financial statements were available to be issued.

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

EL CAMINO HOSPITAL 403(b) RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

The three levels of inputs used to establish fair value are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following are descriptions of the valuation methodologies used for assets measured at fair value:

Registered investment companies (mutual funds): Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Self-directed brokerage accounts: Accounts primarily consist of mutual funds and common stocks that are valued on the basis of readily determinable market prices.

Interest bearing cash (money market accounts): Certificates of deposit are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

The following table discloses the fair value hierarchy of the Plan's assets at fair value at December 31:

2015				
	Level 1	Level 2	Level 3	Total
Registered investment companies	\$ 269,682,485	\$ -	\$ -	\$ 269,682,485
Money market account	12,227,516	-	-	12,227,516
Self directed brokerage account	6,424,293	-	-	6,424,293
Total assets in the fair value hierarchy	\$ 288,334,294	\$ -	\$ -	288,334,294
Investments at fair value				\$ 288,334,294

2014				
	Level 1	Level 2	Level 3	Total
Registered investment companies	\$ 253,965,993	\$ -	\$ -	\$ 253,965,993
Money market account	12,585,311	-	-	12,585,311
Self directed brokerage account	3,488,120	-	-	3,488,120
Total assets in the fair value hierarchy	\$ 270,039,424	\$ -	\$ -	270,039,424
Investments at fair value				\$ 270,039,424

NOTE 4 – GUARANTEED INVESTMENT CONTRACTS

The Plan's guaranteed annuity contracts meet the fully benefit-responsive guaranteed investment contract (FBRIC) criteria and therefore are reported at contract value. Contract value is the relevant measure for FBRICs because this is the amount received by participants if they were to initiate permitted transactions under the terms of the Plan. Contract value as reported to the Plan by Fidelity, Lincoln, and VALIC represents contributions made under the contract, plus earnings, less participant withdrawals. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

The Plan's ability to receive amounts due is dependent on the issuer's ability to meet its financial obligations, which may be affected by future economic and regulatory developments.

Certain events might limit the ability of the plan to transact at contract value with the issuer. Such events include the following: (1) amendments to the plan documents (including complete or partial plan termination or merger with another plan), (2) changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions, (3) bankruptcy of the plan sponsor or other plan sponsor events (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the plan, or (4) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA, or (5) premature termination of the contract. No events are probable of occurring that might limit the Plan's ability to transact at contract value with the contract issuer and that also would limit the ability of the Plan to transact at contract value with the participants.

The Plan invests in the New York Life Guaranteed Interest Account, which is a stable value product that guarantees principal and accumulated interest. Guarantees are provided to participating retirement plans through a group annuity contract issued by New York Life Insurance Company. The fund seeks to provide competitive yields and limited volatility with a guarantee of principal and accumulated interest. These guarantees are backed by the full faith and credit of New York Life Insurance Company. Contributions to the Guaranteed Interest Account are invested in a group annuity contract issued by New York Life Insurance Company. Contributions to the contract are currently invested in a broadly diversified fixed income portfolio within New York Life Insurance Company's general account. The investments in the general account are intended to provide a stable crediting rate consistent with preservation of principal.

The Plan invests in the Principal Fixed Account Principal Financial 403(b), which is a stable value fund annuity contract issued by Principal Life Insurance Company. The investment's objective is to provide a high quality investment option, earnings stability, and liquidity, while offering a guarantee of principal and interest. The Principal Fixed Account Principal Financial 403(b) is backed by the general account of Principal Life Insurance Company, which consists of a diversified general account portfolio of public and private securities, commercial and residential mortgages, and U.S. agency securities. Guarantees are subject to the claims-paying ability of the issuing insurance company.

The Plan invests in the Lincoln Financial Fixed Account, which is a guaranteed investment annuity contract. Funds under the guaranteed investment contract are maintained in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. Lincoln is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

The Plan invests in the VALIC Fixed Account Plus, which is a guaranteed investment annuity contract and generally invests in long-term investments. The current interest rate is established on a portfolio basis with the same rate applicable to all amounts on deposit for the period such current rate is in effect. Funds under the guaranteed investment contract that have been allocated and applied to purchase annuities (that is, VALIC is obligated to pay the related benefits) are excluded from the Plan's assets.

There are no reserves against contract value for credit risk or the contract issuer or otherwise. Crediting rates on the investment contracts are based on a formula agreed upon with the issuer. Interest rates are reviewed on an annual basis for resetting.

EL CAMINO HOSPITAL 403(b) RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

Crediting interest rates estimated for each of the custodians for the years ended December 31, were as follows:

	2015	2014
Fidelity Guaranteed Investment Contracts		
New York Life Guaranteed Interest Account		
Crediting interest rate	2.48%	-
The Principal Fixed Account		
Crediting interest rate	0.82%	0.88%
Lincoln Guaranteed Investment Contracts		
Fixed Account		
Crediting interest rate	3.50%	3.51%

NOTE 5 - TAX STATUS

The Plan has been designed to qualify under Section 403(b) of the Internal Revenue Code (IRC). The terms of the Plan have been prepared to conform with the sample language provided by the IRS. The Plan is required to operate in conformity with the IRC to maintain the tax exempt status for participants under Section 403(b).

In accordance with guidance on accounting for uncertainty in income taxes, the plan administrator has evaluated the Plan's tax positions and does not believe the Plan has any uncertain tax positions that require disclosure or adjustment to the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 6 - RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market volatility, and credit risks. It is reasonably possible, given the level of risk associated with investment securities, that changes in the near term could materially affect a participant's account balance and the amounts reported in the financial statements.

NOTE 7 - INFORMATION CERTIFIED BY THE CUSTODIANS

The plan administrator has elected the method of compliance permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, Fidelity, Lincoln, and VALIC, have certified to the completeness and accuracy of:

- Investments and notes receivable from participants reflected in the accompanying statements of net assets available for benefits as of December 31, 2015 and 2014;
- Net depreciation in fair value of participant-directed investments, dividends and interest, and interest income on notes receivable from participants reflected in the accompanying statement of changes in net assets available for benefits for the year ended December 31, 2015; and
- Investments reflected on the supplemental schedule of assets (held at end of year).

NOTE 8 - PARTY-IN-INTEREST TRANSACTIONS

Plan investments include shares of registered investment company funds managed by Fidelity, Lincoln, and VALIC. As these are custodians of the Plan, transactions with these entities qualify as exempt party-in-interest transactions.

NOTE 9 – PLAN TERMINATION

Although it has not expressed any intention to do so, the Hospital has the right to terminate the Plan and discontinue its contributions at any time. If the Plan is terminated, amounts allocated to a participant's account become fully vested.

FINAL DRAFT

SUPPLEMENTARY INFORMATION
REQUIRED BY THE DEPARTMENT OF LABOR

EL CAMINO HOSPITAL 403(b) RETIREMENT PLAN
SCHEDULE H, LINE 4(i) - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
December 31, 2015

Plan Sponsor: El Camino Hospital
Employer Identification Number: 94-3167314
Plan Number: 002
Schedule H, Line 4(i)

(a)	(b)	(c)	(d)	(e)
	Identity of issue, borrower, lessor, or similar party	Description of investment including maturity date, rate of interest, collateral, par, or maturity value	Cost	Current value
Registered investment company				
	T. Rowe Price Retirement 2020	Registered investment company	**	\$ 33,934,379
	T. Rowe Price Retirement 2030	Registered investment company	**	28,599,263
*	Spartan 500 Index	Registered investment company	**	23,010,126
	T. Rowe Price Retirement 2025	Registered investment company	**	20,994,124
	T. Rowe Price Retirement 2015	Registered investment company	**	18,719,517
	T. Rowe Price Retirement 2035	Registered investment company	**	18,620,308
	J.P. Morgan Large Cap Growth R5	Registered investment company	**	18,286,655
	T. Rowe Price Retirement 2040	Registered investment company	**	17,902,557
*	Spartan Extended Market Index	Registered investment company	**	11,440,350
	T. Rowe Price Retirement 2045	Registered investment company	**	10,921,025
*	Fidelity Total Bond Fund	Registered investment company	**	8,875,503
	AF Europac Growth R4	Registered investment company	**	7,858,395
	T. Rowe Price Retirement 2050	Registered investment company	**	7,084,171
	Northern Small Cap Value Fund	Registered investment company	**	6,809,281
*	T. Rowe Price Retirement 2010	Registered investment company	**	6,710,790
	T. Rowe Price Equity Income Adv	Registered investment company	**	4,974,766
	C&S Investment Reality Shares	Registered investment company	**	4,068,427
	T. Rowe Price Retirement 2005	Registered investment company	**	3,848,700
	American Beacon Small Cap Growth I	Registered investment company	**	3,503,853
*	Fidelity VIP Contrafund	Registered investment company	**	1,620,277
	Delaware VIP SMID Cap Growth	Registered investment company	**	1,368,466
	American Funds Growth	Registered investment company	**	1,212,703
*	LVIP Dimensional U.S. Core Equity 1	Registered investment company	**	906,355
	American Funds International	Registered investment company	**	829,759
*	LVIP Delaware Special Opportunities	Registered investment company	**	720,654
	T. Rowe Price Retirement 2055	Registered investment company	**	652,364
	American Funds Growth-Income	Registered investment company	**	446,076
	T. Rowe Price Retirement 2060	Registered investment company	**	437,265
*	Spartan U.S. Bond Index Investor Fund	Registered investment company	**	412,964
	Delaware VIP Diversified Income	Registered investment company	**	376,128
*	LVIP Delaware Social Awareness	Registered investment company	**	374,789
*	LVIP Del Foundation Conservative Alloc.	Registered investment company	**	371,951
	Delaware VIP Value	Registered investment company	**	354,337
*	LVIP Delaware Bond	Registered investment company	**	336,296
*	LVIP UBS Large Cap Growth Managed Volatility	Registered investment company	**	329,622
	Delaware VIP Small Cap Value	Registered investment company	**	307,154
*	LVIP Blackrock Equity Dividend RPM	Registered investment company	**	293,288
*	LVIP SSGA S&P 500 Index	Registered investment company	**	248,024
	Delaware VIP REIT	Registered investment company	**	240,480
*	LVIP Baron Growth Opportunities	Registered investment company	**	215,535

EL CAMINO HOSPITAL 403(b) RETIREMENT PLAN
SCHEDULE H, LINE 4(i) - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
December 31, 2015

(a)	(b)	(c)	(d)	(e)
	Identity of issue, borrower, lessor, or similar party	Description of investment including maturity date, rate of interest, collateral, par, or maturity value	Cost	Current value
	Dodge & Cox International Stock Fund	Registered investment company	**	149,045
	Pimco Vit Total Return Portfolio	Registered investment company	**	147,839
*	LVIP Mondrain International Value	Registered investment company	**	145,633
*	LVIP Global Moderate Allocation Managed risk	Registered investment company	**	127,230
*	LVIP T. Rowe Price Structured Mid-Cap Growth	Registered investment company	**	123,778
*	LVIP Global Income	Registered investment company	**	106,772
	MFS Utilities	Registered investment company	**	102,307
	DFA International Small Company Portfolio I	Registered investment company	**	100,164
*	LVIP Del Foundation Aggressive Alloc.	Registered investment company	**	90,735
*	LVIP Global Growth Allocation Managed Risk	Registered investment company	**	89,591
	American Funds Global Growth	Registered investment company	**	60,432
*	Fidelity VIP Growth	Registered investment company	**	51,917
*	Spartan Global XUS Index	Registered investment company	**	46,739
*	LVIP Clarion Global Real Estate	Registered investment company	**	30,130
*	LVIP Vanguard International Equity ETF	Registered investment company	**	25,140
	Delaware VIP High Yield	Registered investment company	**	24,201
	Blackrock Global Allocation	Registered investment company	**	14,936
*	LVIP Blackrock Inflation Protected Bond	Registered investment company	**	14,583
*	LVIP SSGA Small-cap Index	Registered investment company	**	7,677
*	LVIP SSGA Emerging Markets 100	Registered investment company	**	6,599
*	LVIP SSGA Global Tactical Allocation Managed Volatility	Registered investment company	**	360
	Total Registered Investment funds			269,682,485
Money Market accounts				
*	Fidelity Money Market Trust Retirement Government	Money market account	**	12,226,141
*	LVIP Money Market	Money market account	**	1,375
	Total Money Market			12,227,516
Self Directed Brokerage accounts				
*	Brokerage Link Fidelity Fund	Self directed brokerage account	**	2,680,422
*	Brokerage Link Cash	Self directed brokerage account	**	2,483,422
*	Brokerage Link External Fund	Self directed brokerage account	**	1,260,449
	Total Self Directed Brokerage accounts			6,424,293
Guaranteed investment contract				
	Principal Fixed Account	Guaranteed investment contract	**	16,937,000
	New York Life Guaranteed Interest Account	Guaranteed investment contract	**	5,657,666
*	Fixed Account	Guaranteed investment contract	**	3,861,654
*	Loan Collateral Fund	Guaranteed investment contract	**	36,845
*	Loan Escrow Fund	Guaranteed investment contract	**	1,793
*	Fixed Account Plus	Guaranteed investment contract	**	703
	Total Guaranteed investment contracts			26,495,661
Participant Loans				
*	Participant loans	Interest rates range from 4.25% to 6.25% maturing through November 2030	-	6,355,459
				\$ 321,185,414
*	Indicates party-in-interest.			
**	Information is not required as investments are participant directed.			

Participant Cash Balance Plan Audit

FINAL DRAFT

Report of Independent Auditors and
Financial Statements with
Supplementary Information

**El Camino Hospital
Cash Balance Plan**

December 31, 2015 and 2014

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REPORT OF INDEPENDENT AUDITORS

To the Trustees
El Camino Hospital Cash Balance Plan

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of El Camino Hospital Cash Balance Plan (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2015 and 2014, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audits in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's (DOL's) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA), the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 6, which was certified by Wells Fargo Bank, N.A. (Wells Fargo), the custodian of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that the custodian holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the custodian as of December 31, 2015 and 2014, and for the years ended December 31, 2015 and 2014, that the information provided to the plan administrator by the custodian is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

The Schedule H, Line 4(i) – Schedule of Assets (Held at Year End) and Schedule H, Line 4(j) – Schedule of Reportable Transactions as of and for the year ended December 31, 2015, are required by the DOL's Rules and Regulations for Reporting and Disclosure under ERISA and are presented for the purpose of additional analysis and are not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on this supplementary information.

Report on Form and Content in Compliance with DOL Rules and Regulations

The form and content of the information included in the financial statements and supplementary information, other than that derived from the information certified by the custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA.

Santa Rosa, California
[REDACTED], 2016

FINANCIAL STATEMENTS

EL CAMINO HOSPITAL CASH BALANCE PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
December 31, 2015 and 2014

	2015	2014
ASSETS		
Investments, at fair value		
Mutual funds	\$ 136,386,898	\$ 135,627,987
Limited liability company	28,881,923	25,565,271
Common stock	19,615,082	19,915,784
Partnerships	17,235,829	11,617,814
Pooled, common and collective trusts	5,509,566	5,508,856
Corporate bonds	5,464,105	10,984,589
U.S. government securities	1,846,972	2,985,960
Cash and cash equivalents	1,770,335	980,570
Total investments, at fair value	<u>216,710,710</u>	<u>213,186,831</u>
Receivables		
Employer contributions	2,400,000	3,600,000
Interest and dividends	52,058	79,293
Total receivables	<u>2,452,058</u>	<u>3,679,293</u>
Net pending trades	36,527	15,206
NET ASSETS AVAILABLE FOR BENEFITS	<u><u>\$ 219,199,295</u></u>	<u><u>\$ 216,881,330</u></u>

See accompanying notes.

EL CAMINO HOSPITAL CASH BALANCE PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ADDITIONS TO NET ASSETS ATTRIBUTED TO		
Investment income (loss)		
Net appreciation (depreciation) in fair value of investments	\$ (358,800)	\$ 7,257,467
Dividends	3,101,469	3,070,479
Interest	181,297	256,910
Total investment income (loss)	<u>2,923,966</u>	<u>10,584,856</u>
Contributions		
Employer contributions	10,800,000	14,400,000
Pending investment settlements	17,244	(178,735)
Total contributions	<u>10,817,244</u>	<u>14,221,265</u>
Total additions	<u>13,741,210</u>	<u>24,806,121</u>
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO		
Benefits paid to participants	11,252,351	9,981,982
Administrative expenses	170,894	18,446
Total deductions	<u>11,423,245</u>	<u>10,000,428</u>
CHANGE IN NET ASSETS	2,317,965	14,805,693
NET ASSETS AVAILABLE FOR BENEFITS, beginning of year	<u>216,881,330</u>	<u>202,075,637</u>
NET ASSETS AVAILABLE FOR BENEFITS, end of year	<u>\$ 219,199,295</u>	<u>\$ 216,881,330</u>

EL CAMINO HOSPITAL CASH BALANCE PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF PLAN

The following description of the El Camino Hospital Cash Balance Plan (the Plan) provides only general information. Participants should refer to the Plan agreement, as amended, for a more complete description of plan provisions.

General – The Plan was originally adopted as a defined benefit plan and was amended and restated in its entirety to a cash-balance formula effective January 1, 1995. Effective January 1, 2009, the Plan was restated and amended. The Plan is administered by the sponsor, El Camino Hospital (the Hospital), and Plan assets are held by the custodian of the Plan, Wells Fargo Bank, N.A. (Wells Fargo). The Plan is a noncontributory defined benefit plan intended to qualify under Section 401(a) of the Internal Revenue Code (IRC).

Participant accounts – The Plan maintains “participant account balances” equal to a participant’s account balance established as of January 1, 1995, upon the conversion to the cash-balance formula, plus subsequent contribution credits and interest credits related to the participant’s accumulated cash balance, participant match contribution credits, and participant match interest credits.

Contribution credits of 5% of eligible compensation for the year are credited to a participant’s account as of the last day of the Plan year. Each year, interest credits related to a participant’s cash balance are credited to the participant’s account in an amount that is equal to a percentage of a participant’s account balance at the beginning of the Plan year. The percentage rate used is the annual rate of return on 10-year Treasury Securities in effect for the third month (October) immediately preceding the first day of the applicable Plan year. The rates credited were 1.75% for the years beginning January 1, 2015 and 2014.

Employee contributions – Contributions by participants are not required or permitted by the Plan.

Employer contributions – The Company’s funding policy is to contribute amounts to the Plan necessary to meet minimum funding requirements. The Company’s contributions for 2015 and 2014 exceeded the minimum funding requirements of ERISA.

Although it has not expressed any intention to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA.

Eligibility – Hospital employees are eligible to participate on the first day of the month succeeding the later of the date on which they complete one year of service, defined as working 12 months for a minimum of 1,000 hours, and they reach age 21.

Funding policy – The amount of employer contributions is determined based on actuarial valuations and recommendations as to the amounts required to fund benefits. Contributions are made by the Hospital based on the results of the actuarial recommendations. The Hospital intends to make contributions in amounts not less than the minimum required by the funding standards of the Employee Retirement Income Security Act of 1974 (ERISA), and are required to keep the Plan qualified under Section 401(a) of the IRC. Participants are not permitted to contribute to the Plan.

Vesting – Participants are fully vested with their third year of service.

Pension benefits – Monthly benefit payments, based upon a formula described in the Plan document, commence within 30 days of the normal retirement date, early retirement date, or deferred retirement date. A participant may elect to defer retirement past the normal retirement age, which will result in benefits greater than 100%, based on a published scale. The eligibility requirement for early retirement is age 55. Early retirement benefits are calculated by multiplying the accrued benefit as of the early retirement date by a percentage defined in the Plan document.

On termination of service, a participant may elect to receive either a lump-sum amount equal to the value of the participant’s account balance or annuity payments based upon formulas described in the Plan document.

Death benefits – The Plan provides death benefits in the form of a qualified pre-retirement survivor annuity for life equal to the annuity that would have been payable to the spouse if the participant had retired on the day preceding the participant’s death. At the option of the beneficiary, the benefit may be paid in a lump-sum.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, using the accrual method of accounting.

EL CAMINO HOSPITAL CASH BALANCE PLAN

NOTES TO FINANCIAL STATEMENTS

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein; disclosure of contingent assets and liabilities; and the actuarial present value of accumulated plan benefits, at the date of the financial statements. Actual results could differ from those estimates.

Change in accounting principle – In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*.

The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient (NAV practical expedient). ASU 2015-07 has been adopted for the December 31, 2015 Plan year end; however, the retrospective approach requires that an investment for which fair value is measured using a NAV practical expedient be removed from the fair value hierarchy in all periods presented in the financial statements. Accordingly, the investment disclosures in Note 4 have been modified as of December 31, 2014 as well.

In July 2015, the FASB issued ASU 2015-12, *Plan Accounting: Defined Benefit Pension Plans (Topic 960) II. Plan Investment Disclosures*. The amendments remove the requirement to:

- Disclose individual investments held which exceed 5% of net assets available for benefits.
- Disclose net appreciation in fair value of investments by type of investment held.
- Disaggregate investments reported in the fair value hierarchy table by class of investment. They may be presented by general type only.

ASU 2015-12 has been adopted for the December 31, 2015 Plan year end; however, the retrospective approach requires that the above items, applicable to the prior year, be presented in accordance with ASU 2015-12 as well.

Investment valuation – The Plan's investments are stated at fair value, as certified by the Plan's custodian, based generally on quoted market prices. Purchases and sales of securities are recorded on a trade-date basis.

Fair value is the price that would be received to sell an asset or paid to transfer a liability (the "exit price") in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Income recognition - Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The net appreciation or depreciation in fair value of investments consists of both the realized gains or losses and unrealized appreciation (depreciation) of those investments.

Benefits paid to participants – Benefit payments to participants are recorded upon distribution.

Administrative expenses – Administrative fees, such as custodian, actuarial, and certain other administrative expenses, may be paid by the Plan or the Hospital.

Subsequent events – Subsequent events are events or transactions that occur after the statement of net assets available for benefits date but before the financial statements are available to be issued. The Plan recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of net assets available for benefits, including the estimates inherent in the process of preparing the financial statements. The Plan's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of net assets available for benefits but arose after the statement of net assets available for benefits date and before the financial statements are available to be issued.

The Plan has evaluated subsequent events through [REDACTED], 2016, which is the date the financial statements were available to be issued.

EL CAMINO HOSPITAL CASH BALANCE PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS

Actuarial present value of accumulated Plan benefits is those estimated future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions for services rendered by employees to the valuation date. Accumulated Plan benefits include benefits expected to be paid to: (a) retired or terminated employees or their beneficiaries; and (b) present employees or their beneficiaries.

Buck Consultants, consulting actuaries, estimates the actuarial present value of accumulated Plan benefits. This is the amount that results from applying actuarial assumptions to adjust the accumulated Plan benefits earned by the participants to reflect the time value of money through discounts for interest, and the probability of payment by means of decrements, such as for death, withdrawal, or retirement, between the valuation date and the expected date of payment.

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

The actuarial present value of accumulated Plan benefits as of January 1, the beginning of each Plan year, was as follows:

	2015	2014
Vested benefits		
Other participants	\$ 130,031,828	\$ 132,651,835
Participants currently receiving payments	39,303,114	36,559,565
Total vested benefits	169,334,942	169,211,400
Non-vested benefits	4,054,658	4,825,025
	<u>\$ 173,389,600</u>	<u>\$ 174,036,425</u>

The change in actuarial present value of accumulated Plan benefits from the prior year was as follows:

Actuarial present value of accumulated Plan benefits at January 1, 2014	\$ 174,036,425
Increase (decrease) during the year attributable to:	
Benefits accumulated	8,985,465
Assumption changes	(9,797,396)
Interest	10,147,088
Benefits paid	(9,981,982)
Actuarial present value of accumulated Plan benefits at January 1, 2015	<u>\$ 173,389,600</u>

The significant actuarial assumptions underlying the actuarial valuation as of January 1, 2015 and 2014:

Discount rates	6% (2015 and 2014)
Mortality basis 2015	The IRS applicable 2015 Mortality Table is the RP-2015 with MP-2015 mortality table for annuitants and non-annuitants with projections from the valuation date
Mortality basis 2014	The IRS applicable 2014 Mortality Table is the RP-2014 Mortality table for annuitants and non-annuitants with projections from the valuation date
Retirement	Normal retirement age is 65

NOTE 4 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

- Level 1** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
- Level 2** Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015 and 2014.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Common stock: Shares of common stock are valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

U.S. government securities: Fixed income funds are valued at the NAV of shares held by the Plan and are valued at the closing price reported on the active market on which the individual securities are traded.

Cash and cash equivalents: Cash and cash equivalents are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

Pooled, common and collective trusts: Units held in pooled investment accounts are valued using the NAV practical expedient of the pooled investment account as reported by the account managers. The NAV is based on the fair value of the underlying assets owned by the pooled investment account, minus its liabilities, and then divided by the number of units outstanding. The NAV of a pooled investment account is calculated based on a compilation of primarily observable market information. The Plan invests in the following pooled investment accounts:

The Lighthouse Diversified Fund Limited Class A seeks consistent stable returns by allocation of the Fund's assets to a wide range of alternative investment strategies across the global financial markets. The Fund's assets are managed primarily through investments in other corporations and other investment vehicles, as well as indirectly through segregated portfolio companies, collectively referred to as investment funds. The investment funds are valued based on observable data such as ongoing redemption and subscription activity. As a practical expedient the investment manager used published NAV to fair value this investment.

The Wellington CIF Small Cap Value Fund (Fund) was established pursuant to the Wellington Trust Multiple Collective Investment Funds Plan and Declaration of Trust (Plan and Declaration of Trust) dated June 24, 1982, as most recently amended and restated as of September 1, 2010. The Fund's investment objective is long-term total return in excess of the Russell 2000 Value Index. Wellington Management Company, LLP, an affiliate of the Custodian, serves as Investment Adviser (Investment Adviser) to the Fund. As a practical expedient the investment manager used published NAV to fair value this investment.

EL CAMINO HOSPITAL CASH BALANCE PLAN

NOTES TO FINANCIAL STATEMENTS

Limited liability company and partnerships: These categories include investments in private equity-fund of funds and private equity-real estate. The valuation of partnership interests in private equity funds may require significant management judgment. The NAV practical expedient reported by the asset manager is adjusted when management determines that NAV is not representative of fair value. In making such an assessment, a variety of factors are reviewed by management, including, but not limited to, the timeliness of NAV as reported by the asset manager and changes in general economic and market conditions subsequent to the last NAV reported by the asset manager. The Plan invests in the following private equity funds:

The Pointer Offshore III, Ltd Fund (the fund) was organized for purposes of trading and investing in securities, private investment companies and other investments. The fund invests substantially all of its assets through a master-feeder structure in Pointer (QA) L.P. (the Master Fund), an investment company that has the same investment objectives of this fund. The Master Fund's investments include securities that are freely tradable and listed on a national securities exchange or reported on the NASDAQ, if the securities were sold as of reporting date, or if no sale occurred on such date, the Master Fund values these investments as the mean between the closing "bid" and "asked" prices on such day. The Master Fund's investments in private investment companies are valued utilizing the net asset value practical expedient valuations provided by the underlying private investment companies.

The Oaktree Real Estate Opportunities Fund VI, L.P. seeks superior risk-adjusted returns through investments in real estate and real estate-related debt, companies, securities, and other assets on a global basis, with a primary emphasis on investments in the United States. Distributions from the fund are at the sole discretion of the General Partner.

The Walton Street Fund VII was organized for the purpose of making investments in and acquisitions of Real Estate Assets and to engage in any and all activities incidental or ancillary thereto. The funds initial closing was May 2012, with several subsequent closings through January 2014. The funds commitment period, during which the General Partner may call capital from investors, goes through November 2017, and the term of the fund will continue until the sixth anniversary of the expiration of the commitment period. Distributions from the fund are at the sole discretion of the General Partner.

The following table provides additional information for investments in certain entities that calculate NAV per share (or its equivalent):

	Fair value 12/31/14	Fair value 12/31/15	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited Liability Company					
Lighthouse diversified fund limited class A	\$ 12,881,233	\$ 15,330,536	\$ -	Monthly	90 days
Pointer offshore III, Ltd	12,684,038	13,551,387	\$ -	*	**
Common Collective Trust					
Wellington CIF small cap value	5,508,856	5,509,566	\$ -	Monthly	N/A
Partnerships					
Oaktree real estate opportunities fund VI	7,494,224	9,436,975	\$ 1,176,000	No redemptions	N/A
Walton Street Teal Estate Partners LP	4,123,590	7,798,854	\$ 2,381,976	No redemptions	N/A
	<u>\$ 42,691,941</u>	<u>\$ 51,627,318</u>			

* 50% semiannual liquidity (after 2-year lock, \$2,000,000 made in September 2014 expires September 2016)

** notice on March 15 for June 30 redemption and on September 15 for December 31 redemption

The following sets forth, by level within the fair value hierarchy, the Plan's assets at fair value at December 31:

	2015			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 1,770,335	\$ -	\$ -	\$ 1,770,335
Common stock	19,615,082	-	-	19,615,082
Corporate bonds	-	5,464,105	-	5,464,105
Mutual funds	136,386,898	-	-	136,386,898
U.S. government securities	-	1,846,972	-	1,846,972
Total assets in the fair value hierarchy	<u>\$ 157,772,315</u>	<u>\$ 7,311,077</u>	<u>\$ -</u>	165,083,392
Investments measured at NAV practical expedient				<u>51,627,318</u>
Total assets, at fair value				<u>\$ 216,710,710</u>

EL CAMINO HOSPITAL CASH BALANCE PLAN
NOTES TO FINANCIAL STATEMENTS

	2014		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 980,570	\$ -	\$ -
Common stock	19,915,784	-	-
Corporate bonds	-	10,984,589	-
Mutual funds	135,627,987	-	-
U.S. government securities	-	2,985,960	-
Total assets in the fair value hierarchy	<u>\$ 156,524,341</u>	<u>\$ 13,970,549</u>	<u>\$ -</u>
Investments measured at NAV practical expedient			42,691,941
Total assets, at fair value			<u>\$ 213,186,831</u>

NOTE 5 – TAX STATUS

The Internal Revenue Service (IRS) issued a determination letter dated August 19, 2011, that stated that the Plan and related trust were designed in accordance with applicable sections of the IRC. Although the Plan has been amended and restated since receiving the determination letter, the plan administrator believes the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the IRC.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 6 – INFORMATION CERTIFIED BY THE CUSTODIAN

The plan administrator has elected the method of compliance permitted by 29 CFR 2520.103-8 of the DOL's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, Wells Fargo, the custodian of the Plan, has certified to the completeness and accuracy of:

- investments, interest, and dividends receivable, and net pending trades reflected on the accompanying statements of net assets available for benefits as of December 31, 2015 and 2014;
- net appreciation (depreciation) in fair value of investments, dividends, interest, and other income (loss) reflected on the accompanying statements of changes in net assets available for benefits for the years ended December 31, 2015 and 2014;
- investments reflected on the supplemental schedule of assets (held at end of year); and
- investments reflected on the supplemental schedule of reportable transactions.

NOTE 7 – RISKS AND UNCERTAINTIES

The Plan provides for investment in various investment securities that are exposed to various risks, such as interest rate, market volatility, and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the statements of net assets available for benefits.

Plan contributions are made, and the actuarial present value of accumulated Plan benefits is reported, based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

EL CAMINO HOSPITAL CASH BALANCE PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – PARTY-IN-INTEREST TRANSACTIONS

The Company is the Plan sponsor and administrator. Trustees who serve on the Plan's administrative committee are also participants of the Plan.

The Plan's investments include a short-term investment fund and shares of corporate bonds managed by Wells Fargo. As Wells Fargo is the custodian of the Plan, transactions with this entity qualifies as exempt party-in-interest transactions.

NOTE 9 – PLAN TERMINATION

Although it has not expressed any intention to do so, the Hospital has the right to discontinue its contributions at any time and to terminate the Plan, subject to the provisions set forth in ERISA.

In the event the Plan is terminated, the net assets will be allocated for payment of Plan benefits to the participants in order of priority determined in accordance with ERISA, applicable regulations thereunder, and the plan document.

Certain benefits are insured by the Pension Benefit Guaranty Corporation (PBGC), if the Plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits, and the amount of benefit protection is subject to certain limitations. Vested benefits are guaranteed at the level in effect on the date of the Plan's termination, subject to a statutory ceiling on the amount of an individual's monthly benefit.

Whether all participants receive their benefits, should the Plan be terminated at some future time, will depend on the sufficiency, at the time, of the net assets to provide those benefits, the priority of those benefits to be paid, and the level and type of benefits guaranteed by the PBGC at that time. Some benefits may be fully or partially provided for by the then-existing assets and the PBGC guaranty, while other benefits may not be provided at all.

SUPPLEMENTAL SCHEDULES
REQUIRED BY THE DEPARTMENT OF LABOR

EL CAMINO HOSPITAL CASH BALANCE PLAN
SCHEDULE H, LINE 4(i) – SCHEDULE OF ASSETS (HELD AT END OF YEAR)
December 31, 2015

Plan Sponsor: El Camino Hospital
Employer Identification Number: 94-3167314
Plan Number: 001
Schedule H, Line 4(i)

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
	Mutual Funds			
	VANGUARD INSTITUTIONAL INDEX FUND	Mutual Fund; Shares: 172,861.628	\$ 23,235,005	\$ 32,259,437
	DODGE & COX INCOME FD COM #147	Mutual Fund; Shares: 1,988,088.651	27,555,702	26,421,698
	METROPOLITAN WEST TOTAL RETURN BOND	Mutual Fund; Shares: 2,438,627.003	26,766,256	25,898,219
	DREYFUS PREMIER INTERNATIONAL STOCK	Mutual Fund; Shares: 1,310,286.457	18,533,092	18,855,022
	HARBOR INTERNATIONAL FUND CLASS	Mutual Fund; Shares: 301,971.263	18,152,673	17,946,152
	TOUCHSTONE SANDS CAPITAL INST GROWTH	Mutual Fund; Shares: 708,516.022	12,605,152	15,006,370
	Total Mutual Funds		126,847,880	136,386,898
	Common Stock			
	UNITEDHEALTH GROUP INC	Common Stock; Shares: 6,200	348,502	729,368
	MEDTRONIC INC	Common Stock; Shares: 7,700	592,515	592,284
	WELLS FARGO & CO	Common Stock; Shares: 10,300	348,345	559,908
	MICROSOFT CORP	Common Stock; Shares: 9,200	244,493	510,416
	CARNIVAL CORP	Common Stock; Shares: 9,000	330,076	490,320
	JPMORGAN CHASE & CO	Common Stock; Shares: 7,400	287,531	488,622
	TEVA PHARMACEUTICAL INDUSTRIES - ADR	Common Stock; Shares: 7,300	281,818	479,172
	TRAVELERS COMPANIES, INC	Common Stock; Shares: 4,100	295,692	462,726
	VERIZON COMMUNICATIONS	Common Stock; Shares: 9,925	463,615	458,734
	PFIZER INC	Common Stock; Shares: 13,900	246,884	448,692
	AIR PRODS & CHEMS INC COM	Common Stock; Shares: 3,400	453,116	442,374
	AMERICAN EXPRESS CO	Common Stock; Shares: 6,100	346,861	424,255
	ORACLE CORPORATION	Common Stock; Shares: 11,000	452,124	401,830
	JOHNSON & JOHNSON	Common Stock; Shares: 3,900	288,442	400,608
	CRH PLC - ADR	Common Stock; Shares: 13,900	309,631	400,598
	STATE STREET CORP	Common Stock; Shares: 5,800	259,202	384,888
	HONEYWELL INTERNATIONAL INC	Common Stock; Shares: 3,700	227,291	383,209
	PNC FINANCIAL SERVICES GROUP	Common Stock; Shares: 4,000	243,396	381,240
	MERCK & CO INC NEW	Common Stock; Shares: 6,800	293,120	359,176
	JOHNSON CONTROLS INC	Common Stock; Shares: 9,000	426,272	355,410
	WAL MART STORES INC	Common Stock; Shares: 5,700	368,068	349,410
	QUALCOMM INC	Common Stock; Shares: 6,800	480,088	339,898
	TEXAS INSTRUMENTS INC	Common Stock; Shares: 6,100	171,593	334,341
	CARDINAL HEALTH INC COM	Common Stock; Shares: 3,700	159,340	330,299
	SANOFI-AVENTIS	Common Stock; Shares: 7,600	305,772	324,140
	CITIGROUP INC.	Common Stock; Shares: 6,200	250,136	320,850
	BANK OF AMERICA CORP	Common Stock; Shares: 18,600	181,278	313,038
	UNITED TECHNOLOGIES CORP	Common Stock; Shares: 3,100	296,718	297,817
	DEERE & CO	Common Stock; Shares: 3,900	345,329	297,453

EL CAMINO HOSPITAL CASH BALANCE PLAN
SCHEDULE H, LINE 4(i) – SCHEDULE OF ASSETS (HELD AT END OF YEAR) (CONTINUED)
December 31, 2015

(a)	(b)	(c)	(d)	(e)
	Identity of issue, borrower, lessor or similar party	Description of investment including maturity date, rate of interest, collateral, par, or maturity value	Cost	Current value
	GENERAL DYNAMICS CORP	Common Stock; Shares: 2,100	162,896	288,456
	BP PLC - ADR	Common Stock; Shares: 9,200	387,743	287,592
	EMERSON ELECTRIC CO	Common Stock; Shares: 5,900	296,615	282,197
	CAPITAL ONE FINANCIAL CORP	Common Stock; Shares: 3,800	137,149	274,284
	OCCIDENTAL PETE CORP	Common Stock; Shares: 3,900	210,464	263,679
	INTEL CORP	Common Stock; Shares: 7,600	170,780	261,820
	AT & T INC	Common Stock; Shares: 6,900	238,050	237,429
	ANTHEM INC	Common Stock; Shares: 1,700	105,791	237,048
	CHEVRON CORP	Common Stock; Shares: 2,300	184,020	206,908
	CONOCOPHILLIPS	Common Stock; Shares: 4,100	234,356	191,429
	PHILLIPS 66	Common Stock; Shares: 2,100	94,563	171,780
	TARGET CORP	Common Stock; Shares: 2,100	123,125	152,481
	ENTERGY CORP NEW COM	Common Stock; Shares: 2,000	140,840	136,720
	VODAFONE GROUP PLC	Common Stock; Shares: 4,199	161,067	135,460
	NXSTAGE MED INC	Common Stock; Shares: 5,137	64,912	112,552
	ATRICURE INC	Common Stock; Shares: 4,205	39,276	94,360
	IMPERVA INC	Common Stock; Shares: 1,257	41,174	79,581
	Q2 HOLDINGS INC	Common Stock; Shares: 2,968	65,651	78,266
	M/A-COM TECHNOLOGY SOLUTIONS H	Common Stock; Shares: 1,911	60,249	78,141
	INCONTACT INC	Common Stock; Shares: 8,182	55,180	78,056
	RINGCENTRAL INC	Common Stock; Shares: 3,277	43,664	77,272
	MAXLINEAR INC	Common Stock; Shares: 4,806	53,184	70,792
	K2M GROUP HOLDINGS INC	Common Stock; Shares: 3,583	71,702	70,728
	BROADSOFT INC	Common Stock; Shares: 1,997	57,957	70,614
	CHANNELADVISOR CORP	Common Stock; Shares: 4,919	56,256	68,128
	INFOBLOX INC	Common Stock; Shares: 3,640	67,494	66,940
	IMAX CORP COM	Common Stock; Shares: 1,844	57,023	65,536
	VOCERA COMMUNICATIONS INC	Common Stock; Shares: 5,168	77,331	63,050
	LENDINGTREE, INC	Common Stock; Shares: 685	36,610	61,157
	8X8 INC	Common Stock; Shares: 5,250	40,745	60,113
	DAVE & BUSTER'S ENTERTAINMENT	Common Stock; Shares: 1,437	47,808	59,980
	NEOGENOMICS INC	Common Stock; Shares: 7,488	24,849	58,931
	BIOTELEMETRY INC	Common Stock; Shares: 4,884	51,698	57,045
	ON ASSIGNMENT INC COM	Common Stock; Shares: 1,264	40,413	56,817
	HMS HLDGS CORP	Common Stock; Shares: 4,597	70,482	56,727
	RADWARE LTD	Common Stock; Shares: 3,656	60,442	56,083
	MOTORCAR PARTS OF AMERICA INC	Common Stock; Shares: 1,657	35,417	56,023
	UNIVERSAL ELECTRONICS INC	Common Stock; Shares: 1,088	45,992	55,870
	CONTROLADORA VUELA COMPANIA DE	Common Stock; Shares: 3,250	27,220	55,770
	MARKETO INC	Common Stock; Shares: 1,899	55,552	54,520
	FORWARD AIR CORP	Common Stock; Shares: 1,265	61,943	54,408
	MYRIAD GENETICS INC COM	Common Stock; Shares: 1,255	48,364	54,166
	CERUS CORP COM	Common Stock; Shares: 8,366	32,667	52,873
	INTRALINKS HOLDINGS INC	Common Stock; Shares: 5,758	62,506	52,225
	BOFI HOLDING INC	Common Stock; Shares: 2,480	36,568	52,204

EL CAMINO HOSPITAL CASH BALANCE PLAN
SCHEDULE H, LINE 4(i) – SCHEDULE OF ASSETS (HELD AT END OF YEAR) (CONTINUED)
December 31, 2015

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
	PINNACLE FINL PARTNERS INC	Common Stock; Shares: 1,009	19,913	51,822
	BOINGO WIRLESS INC	Common Stock; Shares: 7,755	64,421	51,338
	FIESTA RESTAURANT GROUP INC	Common Stock; Shares: 1,517	67,140	50,971
	AMN HEALTHCARE SERVICES INC	Common Stock; Shares: 1,619	49,790	50,270
	OXFORD IMMUNOTEC GLOBAL PLC	Common Stock; Shares: 4,300	71,733	49,450
	CROSS CTRY HEALTHCARE INC	Common Stock; Shares: 3,008	44,613	49,301
	NEOGEN CORP	Common Stock; Shares: 872	29,134	49,285
	SPIRIT AIRLINES INC	Common Stock; Shares: 1,231	44,723	49,055
	INSTEEL INDS INC COM	Common Stock; Shares: 2,333	45,002	46,714
	MALIBU BOATS INC	Common Stock; Shares: 2,839	52,055	46,474
	QLIK TECHNOLOGIES INC	Common Stock; Shares: 1,456	40,001	46,097
	TEAM, INC. COMMON STOCK	Common Stock; Shares: 1,414	54,817	45,191
	SPS COMMERCE INC	Common Stock; Shares: 638	40,757	44,794
	INPHI CORP	Common Stock; Shares: 1,636	15,534	44,205
	FIVE BELOW INC	Common Stock; Shares: 1,354	50,619	43,463
	NOVADAQ TECHNOLOGIES INC	Common Stock; Shares: 3,364	40,445	42,857
	HEALTHSTREAM INC	Common Stock; Shares: 1,937	49,567	42,614
	ORBOTECH LTD SHS	Common Stock; Shares: 1,925	33,122	42,600
	SPECTRANETICS CORP	Common Stock; Shares: 2,801	50,835	42,183
	TUMI HOLDINGS INC	Common Stock; Shares: 2,484	54,130	41,309
	COGENT COMMUNICATIONS HOLDINGS, INC	Common Stock; Shares: 1,183	42,680	41,038
	ABIOMED INC	Common Stock; Shares: 453	11,275	40,897
	VARONIS SYSTEMS INC	Common Stock; Shares: 2,154	45,167	40,495
	ORASURE TECHNOLOGIES INC	Common Stock; Shares: 6,184	42,524	39,825
	HEALTH EQUITY INC	Common Stock; Shares: 1,582	31,791	39,661
	INFINERA CORP	Common Stock; Shares: 2,186	45,764	39,610
	KIRKLAND'S INC	Common Stock; Shares: 2,725	60,783	39,513
	NANOMETRICS INC	Common Stock; Shares: 2,458	32,943	37,214
	MARCHEX INC	Common Stock; Shares: 9,541	64,696	37,114
	ASTEC INDS INC	Common Stock; Shares: 900	35,511	36,630
	SUPER MICRO COMPUTER INC	Common Stock; Shares: 1,475	41,459	36,152
	PLANET PAYMENT INC	Common Stock; Shares: 11,816	38,022	36,039
	PRIMORIS SERVICES CORPORATION	Common Stock; Shares: 1,623	37,133	35,755
	CEPHEID	Common Stock; Shares: 963	30,365	35,178
	ENTEGRI INC	Common Stock; Shares: 2,637	36,276	34,993
	ALLEGiant TRAVEL CO	Common Stock; Shares: 208	33,200	34,909
	FIVE9 INC	Common Stock; Shares: 3,977	22,621	34,600
	PARSLEY ENERGY INC	Common Stock; Shares: 1,846	32,218	34,059
	ASPEN AEROGELS INC	Common Stock; Shares: 5,566	40,695	33,786
	EVERYDAY HEALTH INC	Common Stock; Shares: 5,471	70,965	32,935
	RESTORATION HARDWARE HOLDINGS	Common Stock; Shares: 414	13,533	32,892
	HEALTH INSURANCE INNOVATIONS I	Common Stock; Shares: 4,700	54,684	31,490
	PERFORMANCE SPORTS GROUP LTD.	Common Stock; Shares: 3,261	56,941	31,403
	BUILD-A-BEAR WORKSHOP INC	Common Stock; Shares: 2,542	50,824	31,114

EL CAMINO HOSPITAL CASH BALANCE PLAN
SCHEDULE H, LINE 4(i) – SCHEDULE OF ASSETS (HELD AT END OF YEAR) (CONTINUED)
December 31, 2015

(a)	(b)	(c)	(d)	(e)
	Identity of issue, borrower, lessor or similar party	Description of investment including maturity date, rate of interest, collateral, par, or maturity value	Cost	Current value
	KONA GRILL INC	Common Stock; Shares: 1,943	37,134	30,816
	ALBANY INTL CORP NEW CL A	Common Stock; Shares: 842	32,263	30,775
	AEGEAN MARINE PETROLEUM NETWSHS	Common Stock; Shares: 3,646	30,225	30,481
	ACTUA CORP	Common Stock; Shares: 2,594	33,631	29,701
	CEVA INC	Common Stock; Shares: 1,235	23,493	28,850
	HUB GROUP INC	Common Stock; Shares: 864	35,282	28,469
	CARRIZO OIL & GAS INC	Common Stock; Shares: 961	28,202	28,426
	OASIS PETROLEUM INC	Common Stock; Shares: 3,752	41,331	27,652
	SYNERGY RESOURCES CORP	Common Stock; Shares: 3,239	36,868	27,596
	SANCHEZ ENERGY CORP	Common Stock; Shares: 6,374	70,778	27,472
	HERITAGE-CRYSTAL CLEAN INC	Common Stock; Shares: 2,566	36,059	27,200
	VONAGE HOLDINGS CORP	Common Stock; Shares: 4,414	26,156	25,336
	RIGNET INC	Common Stock; Shares: 1,216	36,696	25,159
	INTERNAP CORPORATION	Common Stock; Shares: 3,837	31,403	24,557
	TECHTARGET INC	Common Stock; Shares: 2,793	24,606	22,428
	RING ENERGY INC	Common Stock; Shares: 2,881	29,369	20,311
	CIRRUS LOGIC INC	Common Stock; Shares: 681	22,993	20,110
	PRA FINANCIAL SERVICES GROUP	Common Stock; Shares: 578	30,457	20,051
	ENCORE CAP GROUP INC	Common Stock; Shares: 660	25,026	19,193
	RADIANT LOGISTICS INC	Common Stock; Shares: 5,209	33,085	17,867
	ALLEGIANCE BANCSHARES INC	Common Stock; Shares: 579	12,480	13,693
	GENTHERM INC.	Common Stock; Shares: 286	3,826	13,556
	NANOSTRING TECHNOLOGIES INC	Common Stock; Shares: 920	13,056	13,533
	NAUTILUS INC	Common Stock; Shares: 793	6,746	13,259
	TEARLAB CORP	Common Stock; Shares: 8,750	44,400	12,163
	AXOGEN CORP	Common Stock; Shares: 1,741	8,737	8,705
	STREAMLINE HEALTH SOLUTIONS IN	Common Stock; Shares: 6,099	40,598	8,600
	GENOMIC HEALTH INC	Common Stock; Shares: 129	4,121	4,541
	Total Common Stock		16,224,478	19,615,082
	Pooled, Common & Collective Trusts			
	WELLINGTON CIF SMALL CAP VALUE	Pooled investments; 531,299 shares	3,880,506	5,509,566
	Total Pooled, Common & Collective Trusts		3,880,506	5,509,566
	Limited Liability Company			
	LIGHTHOUSE DIVERSIFIED FUND LIMITED CLASS A	Pooled investments; 7,120.864 shares	13,000,000	15,330,536
	POINTER OFFSHORE III, LTD	Pooled investments; 10,400,000 shares	10,400,000	13,551,387
			23,400,000	28,881,923
	Partnerships			
	OAKTREE REAL ESTATE OPPORTUNITIES FUND VI	Partnership; Shares: 6,920,753	6,920,753	9,436,975
	WALTON STREET REAL ESTATE PARTNERS LP	Partnership; Shares: 5,918,075.380	5,918,075	7,798,854
	Total Partnerships		12,838,828	17,235,829
	Corporate Bonds			
	COSTCO WHOLESALE CORP	Corporate Bond; Maturity Date: 12/15/2017; 1.125%; Shares: 225,000	225,007	224,802
	SCRIPPS NETWORKS INTERAC	Corporate Bond; Maturity Date: 12/15/2016; 2.700%; Shares: 190,000	197,337	191,349
	BECTON DICKINSON AND CO	Corporate Bond; Maturity Date: 05/15/2017; 1.450%; Shares: 190,000	190,570	189,198
	PEPSICO INC	Corporate Bond; Maturity Date: 04/30/2018; 1.250%; Shares: 180,000	179,086	179,343

EL CAMINO HOSPITAL CASH BALANCE PLAN
SCHEDULE H, LINE 4(i) – SCHEDULE OF ASSETS (HELD AT END OF YEAR) (CONTINUED)
December 31, 2015

(a)	(b)	(c)	(d)	(e)
	Identity of issue, borrower, lessor or similar party	Description of investment including maturity date, rate of interest, collateral, par, or maturity value	Cost	Current value
	EXPRESS SCRIPTS HOLDING	Corporate Bond; Maturity Date: 02/15/2017; 2.650%; Shares: 170,000	176,187	171,669
	PHILLIPS 66	Corporate Bond; Maturity Date: 05/01/2017; 2.950%; Shares: 165,000	172,687	167,242
	FORD CREDIT FLOORPLAN MASTER O	Corporate Backed Obligation; Maturity Date: 08/15/2019; 1.400%; Shares: 160,000	159,954	159,278
	TELEFONICA EMISIONES SAU	Corporate Bond; Maturity Date: 04/27/2018; 3.192%; Shares: 155,000	161,216	158,007
	IBM CORP	Corporate Bond; Maturity Date: 02/06/2017; 1.250%; Shares: 155,000	156,443	155,191
	JPMPRGAN CHASE & CO	Corporate Bond; Maturity Date: 03/01/2018; 1.700%; Shares: 150,000	150,219	149,273
	STRYKER CORP	Corporate Bond; Maturity Date: 09/30/2016; 2.000%; Shares: 145,000	150,068	146,099
	CAPITAL AUTO RECEIVABLES ASSET	Corporate Backed Obligation; Maturity Date: 03/20/2018; 1.090%; Shares: 138,187.73	138,186	138,025
	GOLDMAN SACHS GROUP INC	Corporate Bond; Maturity Date: 01/18/2018; 5.950%; Shares: 125,000	136,973	134,623
	AMERICREDIT AUTOMOBILE RECEIVA	Corporate Backed Obligation; Maturity Date: 06/10/2019; 1.150%; Shares: 130,000	129,996	129,529
	CHEVRON CORP	Corporate Bond; Maturity Date: 06/24/2018; 1.718%; Shares: 130,000	130,426	129,336
	WELLPOINT INC	Corporate Bond; Maturity Date: 02/15/2017; 2.375%; Shares: 125,000	128,850	126,114
	JOHN DEERE CAPITAL CORP	Corporate Bond; Maturity Date: 03/04/2019; 1.950%; Shares: 120,000	120,433	119,654
	ANHEUSER-BUSCH INBEV WOR	Corporate Bond; Maturity Date: 07/15/2017; 1.375%; Shares: 120,000	120,252	119,600
	BHP BILLITON FIN USA LTD	Corporate Bond; Maturity Date: 02/24/2017; 1.625%; Shares: 115,000	116,742	114,767
	HYUNDAI AUTO RECEIVABLES TRUST	Corporate Backed Obligation; Maturity Date: 07/16/2018; 0.790%; Shares: 111,193.29	111,173	110,941
	CATERPILLAR FINANCIAL SE	Corporate Bond; Maturity Date: 08/18/2017; 1.250%; Shares: 110,000	109,945	109,606
	MORGAN STANLEY	Corporate Bond; Maturity Date: 04/25/2018; 2.125%; Shares: 105,000	105,987	105,141
	ABBVIE INC	Corporate Bond; Maturity Date: 11/06/2017; 1.750%; Shares: 105,000	105,486	104,796
	HSBC USA INC	Corporate Bond; Maturity Date: 01/16/2018; 1.625%; Shares: 105,000	105,329	104,480
	UNITEDHEALTH GROUP INC	Corporate Bond; Maturity Date: 11/15/2016; 1.875%; Shares: 100,000	102,574	100,803
	NYSE EURONEXT	Corporate Bond; Maturity Date: 10/05/2017; 2.000%; Shares: 100,000	101,297	100,155
	BB&T CORPORATION	Corporate Bond; Maturity Date: 08/15/2017; 1.600%; Shares: 100,000	100,630	100,115
	MICROSOFT CORP	Corporate Bond; Maturity Date: 11/03/2018; 1.300%; Shares: 100,000	99,900	99,822
	BANK OF AMERICA NA	Corporate Bond; Maturity Date: 03/26/2018; 1.650%; Shares: 95,000	95,048	94,286
	L-3 COMMUNICATIONS CORP	Corporate Bond; Maturity Date: 05/28/2017; 1.500%; Shares: 95,000	95,224	93,823
	UNION BANK NA	Corporate Bond; Maturity Date: 06/16/2017; 2.125%; Shares: 90,000	91,571	90,557
	ORACLE CORP	Corporate Bond; Maturity Date: 10/15/2017; 1.200%; Shares: 85,000	85,122	85,045
	KEY BANK NA	Corporate Bond; Maturity Date: 11/25/2016; 1.100%; Shares: 85,000	85,427	84,885
	BANK OF NOVA SCOTIA	Corporate Bond; Maturity Date: 01/12/2017; 2.550%; Shares: 80,000	82,954	81,062
	CELGENE CORP	Corporate Bond; Maturity Date: 08/15/2018; 2.125%; Shares: 80,000	79,995	80,018
	EXXON MOBIL CORPORATION	Corporate Bond; Maturity Date: 03/06/2018; 1.305%; Shares: 80,000	80,109	79,873
	CITIGROUP INC	Corporate Bond; Maturity Date: 12/17/2018; 2.050%; Shares: 80,000	79,989	79,578
	UBS AG STAMFORD CT	Corporate Bond; Maturity Date: 06/01/2017; 1.375%; Shares: 80,000	79,925	79,560
	WAL-MART STORES INC	Corporate Bond; Maturity Date: 04/11/2018; 1.125%; Shares: 75,000	74,942	74,687
	AT&T INC	Corporate Bond; Maturity Date: 12/01/2017; 1.400%; Shares: 75,000	74,562	74,653
	PNC BANK NA	Corporate Bond; Maturity Date: 02/23/2018; 1.500%; Shares: 75,000	74,845	74,637
	ENERGY TRANSFER PARTNERS	Corporate Bond; Maturity Date: 06/15/2018; 2.500%; Shares: 75,000	74,960	71,839
	BANK OF AMERICA CORP	Corporate Bond; Maturity Date: 01/11/2018; 2.000%; Shares: 70,000	70,493	69,911
	VERIZON COMMUNICATIONS	Corporate Bond; Maturity Date: 09/14/2018; 3.650%; Shares: 65,000	68,415	67,970
	MCDONALD'S CORP	Corporate Bond; Maturity Date: 12/07/2018; 2.100%; Shares: 60,000	59,971	60,038
	ACTAVIS FUNDING SCS	Corporate Bond; Maturity Date: 03/01/2017; 1.850%; Shares: 55,000	54,975	55,098
	BUCKEYE PARTNERS LP	Corporate Bond; Maturity Date: 11/15/2018; 2.625%; Shares: 55,000	53,921	52,912

EL CAMINO HOSPITAL CASH BALANCE PLAN
SCHEDULE H, LINE 4(i) – SCHEDULE OF ASSETS (HELD AT END OF YEAR) (CONTINUED)
December 31, 2015

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
	BMW VEHICLE OWNER TRUST	Corporate Backed Obligation; Maturity Date: 11/27/2017; 0.670%; Shares: 50,370.43	50,369	50,284
*	WISCONSIN ENERGY CORP	Corporate Bond; Maturity Date: 06/15/2018; 1.650%; Shares: 50,000	49,989	49,568
	GEORGIA POWER CO	Corporate Bond; Maturity Date: 12/01/2018; 1.950%; Shares: 40,000	39,965	39,899
	VISA	Corporate Bond; Maturity Date: 12/14/2017; 1.200%; Shares: 35,000	34,981	34,961
	KAUPTHING BK TRANCHE # SB 00001	Private Placement; Shares: 275,000; 7.125%; 05/19/2016	196,000	3
	Total Corporate Bonds		5,716,705	5,464,105
	U.S. Government Securities			
	US TREASURY NOTE	US Government; Maturity Date: 12/31/2018; 1.500%; Shares: 795,000	806,017	798,601
	US TREASURY NOTE	US Government; Maturity Date: 11/30/2017; 2.250%; Shares: 615,000	635,876	628,598
	US TREASURY NOTE	US Government; Maturity Date: 01/31/2017; 0.875%; Shares: 405,000	407,247	405,032
	US TREASURY NOTE	US Government; Maturity Date: 09/30/2020; 1.375%; Shares: 15,000	14,957	14,741
	Total U.S. Government Securities		1,864,097	1,846,972
	Short Term Investment Funds			
*	WELLS FARGO SHORT-TERM INVESTMENT FUND N	Cash and cash equivalents	1,770,335	1,770,335
			\$ 192,542,829	\$ 216,710,710

* Indicates party-in-interest

EL CAMINO HOSPITAL CASH BALANCE PLAN
SCHEDULE H, LINE 4(j) – SCHEDULE OF REPORTABLE TRANSACTIONS
December 31, 2015

Plan Sponsor: El Camino Hospital
Employer Identification Number: 94-3167314
Plan Number: 001
Schedule H, Line 4(j)

(a)	(b)	(c)	(d)	(e)	(h)	(i)
<u>Identity of party involved</u>	<u>Description of assets</u>	<u>Purchase price</u>	<u>Selling price</u>	<u>Cost of asset</u>	<u>Current value of asset on transaction date</u>	<u>Net gain or (loss)</u>
Category (iii) - series of transactions in excess of 5% of plan assets						
* Wells Fargo Bank	Series of cash sweep purchases	\$ 40,432,647	\$ -	\$ 40,432,647	\$ 40,432,647	\$ -
	Series of cash sweep sales	-	40,333,638	40,333,638	40,333,638	-

* Indicates party-in-interest

Policies

ECH BOARD MEETING AGENDA ITEM COVER SHEET

Item:	Policy Approval El Camino Hospital Board of Directors October 12, 2016
Responsibility party:	Diane Wigglesworth, Sr. Director Corporate Compliance
Action requested:	Approval of Policies
Background: <p>As required by Title 22 and the Joint Commission, the Hospital's governing body must review and approve all organizational policies at least every three years if there are no changes and if a policy is new or revised it must be approved by the Board before the Hospital can adopt. Policies are being brought to the appropriate Board Advisory Committee for review and recommendation before being placed on the Hospital Board consent calendar for approval. All policies have been internally reviewed and have received appropriate approvals before being presented to a Board Committee.</p>	
Committees that reviewed the issue and recommendation, if any: <p>Corporate Compliance/Privacy and Internal Audit Committee – October 5, 2016</p>	
Summary and session objectives : <ul style="list-style-type: none"> • Review policies and approve policies. 	
Suggested discussion questions: None.	
Proposed board motion, if any: <p>To approve the attached policies.</p>	
LIST OF ATTACHMENTS: <ol style="list-style-type: none"> 1. Summary of Policy Changes 2. HR – Student Interns and Instructors 3. HR – Discrimination in Employment 4. HR – Harassment 5. HIMS – Retention and Destruction of Records 6. HIMS – Patient Access to Protected Health Information 	

SUMMARY OF POLICIES/PROTOCOLS FOR REVIEW AND APPROVAL

NEW POLICIES				
Policy Number	Policy Name	Department	Revised Date	Summary of Policy Changes
POLICIES WITH MAJOR REVISIONS				
Policy Number	Policy Name	Department	Review or Revised Date	Summary of Policy Changes
	Student Educational Experience	HR	9/22	1.Name changed from "Students, Interns & Instructors"2.Policy: Clarifies the responsibilities of both the school and the institution in regards to meeting the requirements of the student placement agreement (contract) 3.Clarifies the student scope of practice 4.Appendix A-defines roles and responsibilities of all parties involved in a clinical placement 5.Appendix B-Define limitations to specifically to the nursing scope of practices well as, skills that they are able to practice under supervision. Due to the volume of changes made to the policy the final version instead of the redline was included in the packet for easy of reviewing.
POLICIES WITH MINOR REVISIONS				
Policy Number	Policy Name	Department	Review or Revised Date	Summary of Policy Changes
	Discrimination in Employment	HR	9/22	Added "gender identity" as a clarification to the policy. The hospital is modifying and clarifying in order to submit this policy along with other information to be recognized by the Health Equality index in October. The hospital's operational practice remains consistent with this clarification.
	Harassment	HR	9/22	Added "gender identity" as a clarification to the policy. The hospital is modifying and clarifying in order to submit this policy along with other information to be recognized by the Health Equality index in October. The hospital's operational practice remains consistent with this clarification.
	Retention and Destruction of Records	HIMS	9/22	Changed name to "Retention and Destruction of Organization Records"
POLICIES WITH NO REVISIONS - REVIEWED				
Policy Number	Policy Name	Department	Review or Revised Date	
	Patient Access to Protected Health Information	HIMS	9/22	Hospital has two policies with the same information. One is assigned under HIPAA and another was under HIMS department. Since the primary owner is HIM the HIPAA policy is being archived and this policy will be retained.

Att. 27g 01 HR - Students Interns and Instructors

POLICY/PROCEDURE TITLE: Student Educational Experience**CATEGORY:** Human Resources**LAST APPROVAL DATE:** 9/2015

SUB-CATEGORY: Human Resources**ORIGINAL DATE:** 5/13/1998**COVERAGE:**

All students and faculty of academic institutions (clinical or non-clinical) that participate in educational experiences (including preceptorship, internship, externship, , observation or independent study) which are covered by a current signed agreement between the educational facility and El Camino Hospital. In addition, the Hospital has established specific rules and procedures for educational experiences in order to maintain and safeguard the high standards of patient care and safety established by the Hospital. The rules and procedures set forth in this policy are administered by Clinical Education/Talent Development

PURPOSE:

1. Stipulates requirements to be met by students and faculty prior to the student educational experience whether a group rotation, individual practicum or preceptorship
2. Insure that patient care standards and/or other professional and business standards are maintained in all student learning situations.
3. Define responsibility and accountability for assignment of students and the patient care or other work products they provide
4. Clearly delineate any limitations on students clinical practice

POLICY:

All participants in academic educational experiences (including preceptorship, internship, externship, observation or independent study) at El Camino Hospital must be covered by a current signed agreement between the educational institution/organization and El Camino Hospital, which is drafted by El Camino Hospital. This agreement must be submitted to the educational institution for review and signature. Agreements will be forwarded to the Chief of Human Resources for review and final approval.

The agreement must include the following:

POLICY/PROCEDURE TITLE: Student Educational Experience

- a. Statement of purpose (including student course of study)
- b. Responsibilities of the parties
- c. Designation of an individual from the educational institution/ organization who will supervise and/or who is directly responsible for student placement and monitoring.
- d. Statement that required health documentation and background checks for affected students must be on file at the educational facility and that the educational facility must be able to deliver copies to the Hospital upon request.
- e. Required insurance coverage (plus insurance certificate documents evidencing all required insurance coverage to be provided by the educational facility or the student):
 - General liability
 - Professional or malpractice liability
- f. Statement that students and instructors must comply with all policies and procedures of El Camino Hospital.
- g. Statement that the Hospital reserves the right to deny access to any student, non-employee, volunteer or instructor that does not comply with its' policies and procedures.

El Camino Hospital retains the responsibility of the care of the patient, including those assigned to a student. The ECH clinical professional assigned to manage the care of a patient for a given shift retains ultimate accountability for the decisions regarding patient care.

4. During a clinical rotation, the student practices under the supervision and direction of the clinical faculty identified by the educational institution and the assigned El Camino Hospital clinical professional (ex. RN, therapist, etc.). During a preceptorship, the student functions under the supervision and direction of the assigned preceptor.

5. The student placement coordinator and the Department Managers are responsible to:

- Ensure that the terms of the agreement are followed and properly completed in a timely manner.
- Report student and instructor non-compliance issues to the Director of Clinical Education or the Director of Talent Development, as appropriate.

POLICY/PROCEDURE TITLE: Student Educational Experience

6. El Camino Hospital reserves the right to determine the number of students assigned to a particular area or areas of the Hospital at any time to insure that patient care or safety standards are not compromised.
7. The educational institution is responsible for assuring that students are prepared to carry out assigned responsibilities commensurate with their course objectives, before assigning such responsibilities in the clinical setting.

POLICY/PROCEDURE TITLE: Student Educational Experience**PROCEDURE:**

1... All students scheduling must be coordinated through Clinical Education Services/Talent Development. Any student who has not been scheduled through one of these departments will be denied access to the designated area of experience. Director of Clinical Education and/or Director of Talent Development may delegate this responsibility to a department designee.

2... Compliance with Hospital immunization, background check and drug screening requirements outlined in the Infection Prevention policy must be documented by providing date completed prior to the start of the educational experience. School representative must affirm in writing that the information has been reviewed, the student meets all the requirements for eligibility and that documentation of such can be provided upon request from the hospital. These affirmation records will be maintained in Clinical Education/Talent Development.

3. Clinical Education/Talent Development or department designee will make copies of all applicable El Camino Hospital policies and procedures available to the educational facility prior to the start of the educational experience. New and/or updated policies and procedures will also be made available to the educational facility as appropriate.

4... Clinical Education/Talent Development, in partnership with the educational facility, will provide orientation materials to the students prior to the commencement of the educational experience regarding applicable safety training, emergency paging codes, confidentiality, etc.

5. Student Injury/Exposure Guidelines

- a. Follow school policy for non-emergency injury/exposure sustained by a student during an educational experience (including preceptorship, internship, externship, volunteer internship or independent study).

POLICY/PROCEDURE TITLE: Student Educational Experience

The Hospital will make available, whenever possible, emergency health care for the assigned student in case of accident or illness while on hospital premises. Any student receiving such emergency services shall be financially responsible for the charges therefore. The student shall otherwise be responsible for his or her own health care.¹¹.

6. Student Scope of Practice

- a. Pre-licensure students may perform skills normally associated with the performance of role /job which they are preparing and that are deemed appropriate to the student's level of knowledge and skill by their facility. See Appendix B- Limitations to student scope of practice.
- b. All students who engage in an evidence-based project, research study or quality improvement project as part of their degree requirement must consult with the hospital prior to seeking approval from their academic Institutional Review Board (IRB) and /or El Camino Hospital IRB.

POLICY/PROCEDURE TITLE: Student Educational Experience

APPROVAL	DATES
Originating Committee or UPC Committee:	05/2015
_____ Medical Committee (if applicable):	
ePolicy Committee:	8/2015
Pharmacy and Therapeutics (if applicable):	
Corporate Compliance Committee:	8/2015
Board of Directors:	9/2015

Historical Approvals: 5/13/98, 11/15/00 (formerly numbered 20.10), 11/19/03, 11/06, 06/09, 11/12

REFERENCES: (as applicable)

Title 16 CCR, Division 14, Board of Registered Nursing, Section 1426.1, 1427

ATTACHMENTS: ADDENDUMS: EXHIBITS: OR APPENDICES:

Appendix A – Roles and Responsibilities of Parties involved in Student Educational Experiences

Appendix B – Limitation to the Student Scope of Practice

POLICY/PROCEDURE TITLE: Student Educational Experience**Appendix A- Roles and Responsibilities of Parties Involved in Student Educational Experiences****Director of Clinical Education/Director of Talent Management or designee**

1. Validates that a current agreement for Student Educational Experience is in place with the academic institution. Agreements are kept by Clinical Education/Talent Development Services
2. Approves educational experiences (including group rotations, preceptorship, internship, externship, volunteer internship or independent study)
3. Facilitates hospital and unit orientation for students and faculty. Facilitates all aspects of iCare access and training.
4. Prior to the start of the educational experience, validates compliance with required health screening, immunizations, background checks, drug testing and pre-clinical compliance training materials.
5. Communicate with affiliating schools regularly to discuss learning experiences, to elicit feedback from faculty and student on the quality of the student experiences and provide updates on facilities policies and initiatives.

Manager or designee (educator)

1. Refer all requests for student clinical placement to the Director of Clinical Education/Talent Development or designee.
2. Facilitate unit orientation of clinical faculty, as needed.
3. Provide clinical facility any unit specific policies and procedures relevant to the student clinical experience.
4. Foster collaboration through ongoing communication with faculty to achieve the best learning outcomes and positive relationship between El Camino and affiliating schools.

Clinical Faculty

1. During a clinical rotation, is responsible to provide a level of supervision commensurate with the level of the student in the nursing curriculum and must be available to the students and staff at all times during the students' clinical hours.
2. Collaborates with RN or clinical staff member, charge nurse/charge person and unit manager to determine student assignments focused on clinical objectives. Post student assignments on unit per unit preferences.
3. Reviews documentation with student and verifies the entries using the cosign smart phrase. By prior arrangement, this may be relinquished to the RN or clinical staff member to whom the patients are assigned.
4. Supplementary assignments and schedules in specialty areas (i.e. operating room, outpatient clinics, etc.) are approved by the manager prior to the beginning of the semester.
5. Is responsible for assessing and evaluating student competence and clinical performance.

POLICY/PROCEDURE TITLE: Student Educational Experience

6. Promptly informs department manager and hospital student coordinator of any patient care problem involving a student and submits appropriate documentation.

El Camino Hospital Staff supervising student(s)

1. Retains responsibility for patient assessment, documentation, and provision of appropriate patient care.
2. Exchanges information regarding care of the student's assigned patients at the beginning, throughout and at the completion of the shift or clinical assignment.
3. Maintains open lines of communication with student and faculty in order to help identify experience that will enhance the student experience.
4. In collaboration with clinical faculty, may directly supervise students in the performance of and documentation of clinical responsibilities for which a student has received instruction for in their curriculum.

Student (clinical rotation)

1. Performs patient care in accordance with El Camino Hospital policies and procedures.
2. Performs clinical care responsibilities within the scope of practice commensurate with the course objectives and their level in school.
3. Complies with school and hospital dress code, acts in a professional manner when interacting with staff and during patient care.
4. Displays facility specific ID badge with school designation at all times while on the hospital properties.
5. Reports to assigned unit/dept. on time to verify patient assignment and received bedside report with the staff nurse, if appropriate.
6. Maintains patient and hospital confidentiality following HIPAA and CA state law
7. May not print or photocopy from the EHR any patient specific information.
8. Performs ALL new skills under the supervision of the clinical staff.
9. Promptly reports changes in the patient's condition to the assigned RN and the clinical faculty.
10. Completes all required documentation for the patient assignment as agreed upon with the assigned nurse. All documentation is reviewed and co-signed by the clinical instructor or assigned El Camino Hospital preceptor.
11. Completes an evaluation of the clinical experience at the end of the semester which is turned in to the hospital.

Student Preceptorships

1. Precepting student functions under the direction and supervision of the assigned RN or clinical staff member
2. Clinical Faculty is not required to be onsite while the student is providing care but must be available to students and staff at all times during the student's clinical hours and maintain accountability for the student's clinical performance. Faculty must also have periodic face-to-face visits with the preceptor.

POLICY/PROCEDURE TITLE: Student Educational Experience

3. Students may not assume responsibility for patient care when the preceptor is absent from the nursing or clinical unit. Students must not be assigned to care for patients independently but are expected to work as a team with the preceptor.
4. El Camino Hospital Staff Preceptor provides ongoing feedback to the student and instructor throughout the semester about student performance and progress in meeting the learning objectives. The preceptor is responsible for communicating to the clinical faculty and department manager the lack of progress or other performance problems as soon as they are identified.
5. All documentation by the student during a preceptorship is verified by the El Camino Hospital staff preceptor using the EHR smart phrase.

POLICY/PROCEDURE TITLE: Student Educational Experience

Appendix B- Limitation to the Nursing Student Scope of Practice
RN and LVN students may NOT perform the following nursing responsibilities:

1. Receive verbal or telephone orders
2. Receive or report critical test value to the physician
3. Acknowledge or sign off physician orders
4. Have unsupervised access to the medication Pyxis
5. Serve as one of the two authorized staff performing the independent double check at the patient's bedside when preparing and administering high alert medication by any route
6. Serve as one of the two authorized staff when obtaining blood products or identifying those to receive blood products.
7. During a Code Blue or other emergency situation, defibrillate or mix, hang or push emergency medications.
8. Be the primary initial contact informing the patient/families of a change in the patients status or emerging health problems.
9. Insert a feeding tube with a metal stylet
10. Perform arterial sticks
11. Administer chemotherapy
12. Perform a blood glucose check

LVN Students: In addition to those area identified above, LVN students may NOT perform the following clinical procedures or tasks:

1. Perform venipuncture for collection of laboratory specimens and /or establish IV therapy
2. Flush or withdraw blood from a central venous catheter or arterial line
3. Hang or monitor intravenous therapy containing medication, including TPN or PPN
4. Central venous catheter site care.

RN Students MAY perform, ONLY with DIRECT OBSERVATION by a licensed staff RN or their clinical faculty, the follow clinical procedures/tasks:

1. Report changes in condition, test results, provide status updates to the physician and answer queries from the physician
2. Following the identification of correct blood products and match with correct patient by two licensed staff RN's administer blood products.
3. Administer, but not independently sign out, narcotics. Narcotics must be obtained from the Pyxis by the staff RN and administration observed
4. Administer IV push Medication
5. Initiate, make/rate adjustments, and reload narcotics for Patient Controlled Analgesia (PCA) or continuous narcotic infusions.

POLICY/PROCEDURE TITLE: Student Educational Experience

6. Perform venipuncture for collection of laboratory specimens and/or to establish IV therapy
7. Perform central venous catheter site care, catheter flush and withdrawal of blood

Att. 27g 02 HR - Discrimination in Employment

POLICY/PROCEDURE TITLE: HR- Discrimination in Employment**CATEGORY: Human Resources****LAST APPROVAL DATE: 02/2016**

SUB-CATEGORY: Human Resources**ORIGINAL DATE: 9/11/1994****COVERAGE:**

El Camino Hospital employees. If there is a conflict between the Hospital policy and the applicable MOU, the applicable MOU will prevail.

PURPOSE:

El Camino Hospital is an equal opportunity employer and makes employment decisions on the basis of qualifications and competencies. El Camino Hospital prohibits unlawful discrimination in employment based on race, ancestry, national origin, color, sex, sexual orientation, **gender identity**, religion, disability (including AIDS and HIV diagnosis), marital status, age (40 and over), medical condition (rehabilitated cancer and genetic characteristics), refusal of Family Care Leave, refusal of leave for an employee's serious health condition, denial of pregnancy disability leave, retaliation for reporting patient abuse in tax supported institutions, or any other status protected by federal, state or local laws. All such discrimination is unlawful and will not be tolerated.

This commitment applies to all persons involved in the operations of El Camino Hospital, including supervisors and co-workers, and applies to all employment practices, including advertisements; applications and interviews; licensing or certification; referrals by employment agencies; salary, classifications and duties; hiring, transferring, promoting or leaving a job; working conditions; participation in a training or apprenticeship program, employee organization or union.

POLICY/PROCEDURE TITLE:HR- Discrimination in Employment

STATEMENT:

This policy is written to insure understanding of and compliance with California and Federal laws which prohibits discrimination in employment.

DEFINITIONS:

1. It is the responsibility of every employee, regardless of supervisory status, to adhere to these policies. An employee who is found to have violated the Discrimination in Employment policy shall be subject to disciplinary action up to and including termination.
2. To assure the dignity and worth of each individual, El Camino Hospital managers and supervisors are responsible to provide an environment which is committed to this policy.

PROCEDURE:**Individuals with a Disability - Reasonable Accommodation**

(See California Government Code § 12926 and the federal Americans with Disabilities Act 42 U.S.C. 12101, *et seq.*)

1. The manager will make good faith attempts to provide reasonable accommodation for the known physical or mental limitations of an individual with a disability who is an applicant or employee, unless an undue hardship would result.
2. Any applicant or employee who requires an accommodation in order to perform the essential functions of the job will contact Human Resources and/or the appropriate manager and specify the restrictions on job duties and what accommodation is being requested to perform the essential functions of the job. Employee Health Services, together with Human Resources and the appropriate manager, will conduct an interactive process to identify any barrier(s) that would make it difficult for the applicant or employee to perform her/his essential job functions, and potential accommodations which would allow the essential functions of the job to be performed. If the accommodation is deemed reasonable and will not impose an undue hardship, the manager in consultation with Human Resources will make the accommodation.
3. If an applicant or employee believes she/he has been subject to any form of unlawful discrimination, she/he must provide a written complaint to Human Resources or the manager.

POLICY/PROCEDURE TITLE:HR- Discrimination in Employment

F. Procedure for Discrimination Complaints

1. An individual who believes that she/he has not received equal opportunity in employment must report the incident to her/his direct supervisor, manager, department director or to a Human Resources Business Partner or the Director of Human Resources Operations immediately. The report should be submitted in writing. If the incident involves the employee's direct supervisor, manager or department director, the employee must report the incident immediately to the Human Resources Department. Employees are to be assured that their doing so will not result in any reprisal or retaliation.
2. The written complaint must be specific and include the dates of the alleged incident, names of the individuals involved, names of any witnesses, and as much information as possible regarding the complaint. El Camino Hospital will timely initiate an effective, thorough and objective investigation and attempt to resolve the situation.
3. Any department director/manager/supervisor who receives a report or complaint of a violation of this policy must report it immediately to a Human Resources Business Partner or the Director of Human Resources Operations.
4. If El Camino Hospital determines that unlawful discrimination has occurred, effective remedial action will be taken, commensurate with the severity of the offense. Appropriate action will also be taken to deter any future discrimination.
5. El Camino Hospital will not retaliate against any employee for filing a complaint and will not knowingly permit retaliation by management or coworkers.

POLICY/PROCEDURE TITLE:HR- Discrimination in Employment

APPROVAL	APPROVAL DATES
Originating Committee or UPC Committee:	
_____ Medical Committee (if applicable):	
ePolicy Committee:	12/2015
Pharmacy and Therapeutics (if applicable):	
Compliance Committee:	01/2016
Board of Directors:	02/2016

Historical Approvals: 9/11/94, 5/1/98, 3/14/01 (formerly titled "11.02 Equal Employment Opportunity Practices;" also 11.06 Americans with Disabilities Act now included herein), 11/03, 12/06, 2/09, 11/12

Att. 27g 03 HR - Harassment

POLICY/PROCEDURE TITLE:HR- Harassment**CATEGORY:** Human Resources**LAST APPROVAL DATE:** 11/12

SUB-CATEGORY: Human Resources**ORIGINAL DATE:** 9/1994**COVERAGE:**

All El Camino Hospital Employees

PURPOSE:

El Camino Hospital is committed to providing a work environment free of all forms of discrimination and harassment. El Camino Hospital considers discrimination and harassment of any nature (physical, racial, sexual, verbal, etc.) to be misconduct and it will not be tolerated.

El Camino Hospital prohibits harassment in the workplace because of race, ancestry, national origin, color, sex, sexual orientation, gender identity, religion, disability (including AIDS and HIV diagnosis), marital status, age, medical condition (rehabilitated cancer and genetic characteristics), refusal of Family Care Leave, refusal of leave for an employee's serious health condition, denial of pregnancy disability leave, retaliation for reporting patient abuse in tax supported institutions, or any other status protected by federal, state or local law, ordinance or regulation. All such harassment is strictly prohibited. El Camino Hospital's anti-harassment policy applies to all persons involved in the operations of El Camino Hospital, including supervisors and co-workers.

In order to quickly and fairly resolve complaints, El Camino Hospital requires all employees to report any incidents of harassment in the workplace immediately to her/his manager or to any other manager that is readily available, or to the Manager of Employee and Labor Relations or to any Human Resources representative. The requirement to report includes incidents that involve the employee's direct supervisor or manager.

STATEMENT:

This policy is written to insure compliance with the laws and regulations of Title VII of the Civil Rights Act of 1964, the California Fair Employment and Housing Act,

POLICY/PROCEDURE TITLE:HR- Harassment

specifically Government Code §12940(a), (h) and (i), and the Ralph Civil Rights Act, which prohibits hate violence.

PROCEDURE:**Sexual Harassment Defined**

1. California law defines sexual harassment as unwanted sexual advances or visual, verbal or physical conduct of a sexual nature. This definition includes many forms of offensive behavior. The following is a partial list:
 - a. Unwanted sexual advances;
 - b. Offering employment benefits in exchange for sexual favors;
 - c. Making or threatening reprisals after a negative response to sexual advances;
 - d. Visual conduct such as leering, making sexual gestures, displaying sexually suggestive objects or pictures, cartoons or posters;
 - f. Verbal conduct such as making or using derogatory comments, epithets, slurs, and jokes;
 - g. Verbal sexual advances or propositions;
 - h. Verbal abuse of a sexual nature or use of sexually degrading words to describe an individual;
 - i. Suggestive or obscene letters, notes or invitations or, graphic verbal commentary about an individual's body;
 - j. Physical conduct such as touching, assault, impeding or blocking movements.
2. It is unlawful for males to sexually harass females or other males, and for females to sexually harass males or other females. Sexual harassment on the job is unlawful whether it involves co-worker harassment, harassment by a supervisor or manager, harassment by patients or visitors, or by persons doing business with or for El Camino Hospital.

F. Complaint Procedure

1. The complaint procedure is established to allow for an immediate, thorough and objective investigation of sexual or other harassment claims, appropriate disciplinary action against one found to have engaged in prohibited harassment, and appropriate remedies to any victim of harassment.

POLICY/PROCEDURE TITLE:HR- Harassment

2. Employees who believe they have been harassed on the job, including by persons doing business with or for El Camino Hospital, must provide a written or verbal complaint to their manager or to any other manager readily available, or to the Manager of Employee and Labor Relations or any Human Resources representative, as soon as possible. The complaint should include details of the incident(s), names of individuals involved, and the names of any witnesses. Managers must immediately refer all harassment complaints to the Manager of Employee and Labor Relations.

3. All incidents of sexual or other harassment that are reported must be investigated. The Manager of Employee and Labor Relations, or designated representative, will promptly undertake an effective, thorough and objective investigation of the harassment allegations. The investigation will be completed and a determination regarding the harassment alleged will be made.

4. If the Manager of Employee and Labor Relations determines that harassment has occurred, the Manager of Employee and Labor Relations will take effective remedial action commensurate with the circumstances. Appropriate action will also be taken to deter any future harassment. If a complaint of harassment is substantiated, appropriate disciplinary action, up to and including termination, will be taken.

5. The employee who made the complaint will be informed of the progress of the investigation, and if it is determined that harassment did occur, what actions are being taken to prevent further incidents of harassment.

G. Protection Against Retaliation

1. In accordance with applicable laws, El Camino Hospital prohibits retaliation against any employee by another employee or by El Camino Hospital for using this complaint procedure or for filing, testifying, assisting or participating in any manner in any investigation, proceeding or hearing conducted by a federal or state enforcement agency. Prohibited retaliation includes, but is not limited to, demotion, suspension, failure to hire or consider for hire, failure to give equal consideration in making employment decisions,

POLICY/PROCEDURE TITLE:HR- Harassment

failure to make employment recommendations impartially, adversely affecting working conditions or otherwise denying any employment benefit the employee may otherwise be entitled to.

2. Once El Camino Hospital knows of the occurrence of harassment, action will be taken to prevent further harassment, and El Camino Hospital will not knowingly permit any retaliation against any employee who complains of harassment or who participates in an investigation.

3. In accordance with applicable laws, El Camino Hospital also prohibits retaliation against any employee who opposes harassment. Opposition includes, but is not limited to: seeking advice or assisting or advising any person in seeking advice of an enforcement agency regardless of whether a complaint is filed or, if filed, substantiated; opposing employment practices that an employee reasonably believes to be unlawful; participating in an activity perceived to be opposition to discrimination by an employer covered by the law; or contacting, communicating with or participating in any federal, state, or local human rights or civil rights agency proceedings.

4. Any report of retaliation by the one accused of harassment, or by coworkers, supervisors or managers, will also be immediately, effectively and thoroughly investigated in accordance with El Camino Hospital's investigation procedure outlined above. If a complaint of retaliation is substantiated, appropriate disciplinary action, up to and including termination, may be taken.

POLICY/PROCEDURE TITLE:HR- Harassment

APPROVAL	APPROVAL DATES
Originating Committee or UPC Committee:	11/2012
_____ Medical Committee (if applicable):	
ePolicy Committee: (Please don't remove this line)	
Pharmacy and Therapeutics (if applicable):	
Medical Executive Committee:	
Board of Directors:	

Historical Approvals: 09/94, 05/98, 03/01 (formerly numbered 11.04), 11/03, 11/06, 05/08, 06/09, 11/12

Att. 27g 04 HIMS - Retention and Destruction of Records

POLICY/PROCEDURE TITLE: **HIMS-Retention and Destruction of Records**
~~Retention and Destruction of Organization Records~~

CATEGORY: Administrative
LAST APPROVAL DATE: 6/13

SUB-CATEGORY: ADMINISTRATIVE
ORIGINAL DATE: 4/03

COVERAGE:

All El Camino Hospital staff

PURPOSE:

It is El Camino Hospital's policy to maintain effective and cost efficient management techniques in the retention and destruction of all hospital business and medical records and information in accordance with all applicable state and federal laws and regulations.

Legal requirements and considerations, frequency of use and fiscal or clinical pertinence of records, space constraints, department structure, technological advancements, and historical or research uses for records have been taken into consideration in the creation of this policy.

STATEMENT:

- *It is the policy of El Camino Hospital to comply with all mandatory reporting requirements for health insurance portability and accountability act (HIPAA)*
- *It is the procedure of El Camino Hospital regarding health insurance portability and accountability act (HIPAA) to ensure patient safety*

PROCEDURE:

A. Retention Policy:

Information may be created or retained on paper, film, microfilm, photograph, electronic media, etc., as an original record or reproduction thereof.

1. Retention of electronic media must meet the following conditions:
 - An off-site storage backup system is employed;
 - When signatures are required, an imaging system is employed that can copy signed documents;
 - Once put in electronic form, the information is unalterable;

POLICY/PROCEDURE TITLE: HIMS-Retention and Destruction of Records

- Safeguards are in place to maintain the confidentiality and limit access by unauthorized persons;
 - Mechanisms are established which allow electronic authentication; and
 - System maintenance procedures are in place.
2. Records or information retained on paper, film, microfilm, or photograph must meet the following requirements:
- Records must be easily retrievable to meet intended use;
 - Redundancy of records must be minimized in order to maintain cost efficiency;
 - Records must be maintained in a manner which protects them from defacement, damage, or loss;
 - Medical records must be available within a reasonable timeframe to facilitate patient care;
 - Confidentiality of protected health information must be maintained to assure compliance with all applicable state and federal requirements;
 - Records stored off-site must meet the same retention and confidentiality requirements as records stored within hospital facilities.

POLICY/PROCEDURE TITLE: HIMS-Retention and Destruction of Records

ADMINISTRATIVE RECORDS	
Record	Retention Period
Accident or incident reports	10 years
Annual reports to California Department of Health Services	Permanent
Appraisal reports	Permanent
Audit reports	Permanent
Census (daily)	6 years
Communicable disease reports to state and local health departments	3 years
Construction projects	Permanent
Contracts	Life of contract plus 6 years (unless contract specifies longer retention)
Corporate records, including: Articles of Incorporation, bylaws of the governing body, bylaws of the medical staff, minutes of meetings of the board of directors, executive committee, and medical staff.	Permanent
Correspondence of continuing interest	6 years
Deeds or titles to property	Permanent
Departmental reports <ul style="list-style-type: none"> • Annual • Non-annual 	Permanent 6 years
Endowments, trusts, bequests	Permanent
Financial reports	Permanent
Hazard communications records (pesticides)	5 years
Health and Human Services grants	3 years
HIPAA privacy related documents	6 years
Incident reports	10 years
Infection control committee minutes and reports	6 years
Inspection reports by local, federal or state agencies	6 years
Insurance policies, current and expired	Permanent
Leases	Life of lease plus 6 years
Licenses or certificates	Life of license or certificate plus 6 yrs
Medical device reports (MDR) and records of MDR reportable events	6 years
Medical device tracking records	6 years
Permits	Life of permit plus 6 years
Policy and procedure manuals	Life of manual plus 6 years
Reports of unusual occurrences	2 years
Statistics on admissions and services	Permanent

POLICY/PROCEDURE TITLE:HIMS-Retention and Destruction of Records

Survey reports ((TJC) JOINT COMMISSION, etc.)	6 years
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POLICY/PROCEDURE TITLE: HIMS-Retention and Destruction of Records

ADMITTING RECORDS	
Records	Retention Period
Admission and discharge reports	6 years

BUSINESS RECORDS	
Record	Retention Period
Audit reports	7 years
Bank deposits	6 years
Budgets	6 years
Cash receipts	6 years
Cashiers tapes from bookkeeping machines	2 years
Charge slips to patients	6 years
Check registers	6 years
Checks – cancelled <ul style="list-style-type: none"> • Payroll • Taxes, capital, purchases, important contracts • Other 	6 years Permanent 7 years
Claims and charges to patients, fiscal intermediaries, third party payers, etc.	6 years
Collective bargaining agreements	Permanent
Correspondence: <ul style="list-style-type: none"> • General • Credits and Collections • Insurance 	6 years 6 years 6 years
Disbursements – unclaimed, returned	3 years
Equipment depreciation records	Life of equipment plus 6 years
Income – daily summary	6 years
Income tax returns	Permanent
Invoices <ul style="list-style-type: none"> • Fixed assets • Accounts receivable/payable 	Life of equipment plus 6 years 6 years
Journals – general	6 years
Ledgers – general	6 years
Medicare cost reports: <ul style="list-style-type: none"> • Billing material referring to specific claims • Cost report material including all data necessary to 	

POLICY/PROCEDURE TITLE: HIMS-Retention and Destruction of Records

support accuracy of entries on cost report <ul style="list-style-type: none"> Medical record material including utilization review committee reports, physicians' certification reports, and other records relating to health insurance claims 	6 years
Patient accounts	6 years
Patient cash and valuables receipts	2 years
Payroll records	2 years
Social security reports	4 years after taxes are paid
Unemployment tax records	4 years
Vouchers	Life of item plus 6 years
Capital expenditures	
Cash	
Other checks	
Welfare agency records	7 years
Withholding tax exemption certificates (w-4 forms)	4 years after taxes are paid
Workers' compensation records, self insured claims files and claims logs	Claim files must be kept 5 years from date of injury or date on which last compensation benefit paid. Must keep indefinitely if open future medical benefits due (may be microfilmed after 2 years)

CONCERN: EMPLOYEE ASSISTANCE PROGRAM / CAMINO COUNSELING SERVICES	
Records	Retention Period
Psychotherapy notes	Adults 7 years, Minors until age 19 or 7 years, whichever is greater
Member records including (but not limited to): Consent forms Consultation reports Intake assessment summaries and mental status reports Member histories Member identification information Psychological testing reports Summary at case closing and final diagnosis Treatment request and authorization forms	Adults 7 years, Minors until age 19 or 7 years, whichever is greater

POLICY/PROCEDURE TITLE: HIMS-Retention and Destruction of Records

DIETARY DEPARTMENT RECORDS	
Records	Retention Period
Bacteriological testing of ice	2 years
Dietetic service personnel, number of	2 years
Food costs	3 years
Food purchased	3 years
In-service training records	6 years
Meal counts	2 years
Menus	3 months

ENGINEERING RECORDS	
Records	Retention Period
Air filter maintenance records	Life of air filter plus 6 years
Blueprints of buildings	Permanent
Calibration records	6 years
Emergency generator records, inspection, performance, exercising period and repairs	Life of generator plus 6 years
Equipment operating instructions	Life of equipment plus 6 years
Equipment records on inspection and maintenance	6 years
Inspection reports of grounds and buildings	1 year
Maintenance logs (heating, air conditioning, ventilation)	3 years
Purchase orders	6 years
Thermometer charts and monthly bacteriological tests for autoclaves and sterilizers	3 years
Watchman clock dials	2 years
Work orders	2 years

HOUSEKEEPING RECORDS	
Records	Retention Period
Checkout, transfer, isolation records	2 years
Cleaning records, policies and procedures	2 years
Contract files	Life of contract plus 6 years

POLICY/PROCEDURE TITLE:HIMS-Retention and Destruction of Records

Exterminator records	6 years
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POLICY/PROCEDURE TITLE: HIMS-Retention and Destruction of Records

HUMAN RESOURCES RECORDS	
Records	Retention Period
Applications – employees, permanent and temporary, and non-employees	2 years after date of personnel action
Employee health records <ul style="list-style-type: none"> • Employees not subject to OSHA regulations • Employees subject to OSHA regulations 	<ul style="list-style-type: none"> • 6 years • Duration of employment plus 30 years
Employee personnel records, including acknowledgement of child abuse and neglect reporting requirement, and elder and dependent adult abuse reporting requirement	6 years after termination of employment
Equal Pay Act records	2 years
Exposure records – OSHA	Duration of employment plus 30 years (with limited exceptions)
Garnishment records	7 years
Hazardous waste training records	6 years after termination of employment
Job classifications	6 years
Labor / management reporting records	5 years after filing report
Labor / management collective bargaining agreements, including: <ul style="list-style-type: none"> • Certificates • Notices • Memoranda • Related written agreements • Other related documents 	5 years from last effective date
OSHA logs, summaries and reports; OSHA form 300 Log/301 Incident Reports	6 years
Overtime reports	5 years
Payroll records, including: <ul style="list-style-type: none"> • Hours worked • Leaves of absence • Overtime, vacation, sick leave entries • Time cards • Wage rates and wages paid • Wage statements, itemized 	Permanent
Pension records	Permanent
Personnel records for employees and applicants required by Title VII of the Civil Rights Act, the Americans with Disabilities Act and the Age Discrimination in Employment Act.	2 years after date of employment action
Pesticide training program records	2 years

POLICY/PROCEDURE TITLE: HIMS-Retention and Destruction of Records

Volunteer personnel records	6 years after termination of volunteer status
W-2, W-4 forms	4 years
Worker's compensation documents	6 years

INDIVIDUAL DEPARTMENT RECORDS

Record	Retention Period
Budget and budget data	2 years
Correspondence, general	2 years
Incident and accident reports	Discretionary
Memoranda received	Discretionary
Memoranda sent	2 years
Minutes of departmental meetings	2 years
Personnel records	2 years
Policy and procedure manuals <ul style="list-style-type: none"> • Departmental • Other departments 	6 years Discretionary
Requisitions	Discretionary
Statistics and reports	6 years

LABORATORY, PATHOLOGY AND IMAGING RECORDS

It is the policy of the Laboratory and Pathology Departments to adhere to the specific department policies on record and specimen retention in compliance with accrediting agencies. Refer to both Laboratory and Pathology policies. Below are general guidelines:

Record	Retention Period
Blood and blood product testing records	Adults 10 years, Minors until age 25 Records must be kept at least 5 years after processing or 6 months after the latest expiration date for the individual product, whichever is later.
Blood donor histories and pertinent records	Adults 10 years, Minors until age 25 Records must be kept at least 5 years after processing or 6 months after the latest expiration date for the individual product, whichever is later.
Blood transfusion records	Adults 10 years, Minors until age 25 Records must be kept at least 5 years.
Cytology reports	Records must be kept at least 10 years.

POLICY/PROCEDURE TITLE: HIMS-Retention and Destruction of Records

Electrocardiograms Electroencephalograms Electromyograms	Adults 10 years, Minors until age 25 Retain only those portions that are specifically selected by the physician to accompany the report in the patient's medical record.
Equipment inspection, validation, calibration, repair and replacement records	6 years. Must be kept at least 3 years.
LABORATORY, PATHOLOGY AND IMAGING RECORDS (cont'd)	
Errors in test results	3 years. Retain original report and corrected report.
Fetal heart monitor strips	25 years. Retain only those portions that are specifically selected by the physician to accompany the report in the patient's medical records.
Histopathology	10 years. Stained slides must be kept at least 10 years; specimen blocks must be kept at least 2 years from date of examination.
Immunohematology records and reports	2 years. Must be kept at least 5 years.
Mammography films and reports	Adults 10 years, Minors until age 25 Must be kept in a permanent medical record of the patient for not less than 5 years, or not less than 10 years if no additional mammograms are performed at the facility, or longer as required by state law, unless the original mammogram is transferred to a health care provider of the patient or to the patient directly.
Mammography personnel records	6 years after termination of employment. Documentation of qualifications of interpreting physicians, radiologic technologists and medical physicist must be kept during the term of employment and, following employment, until the next annual inspection has been completed and the FDA has determined that the Mammography Quality Standards Act personnel requirements.
Mammography quality assurance records	6 years. Must be kept until the next annual inspection has been completed and the FDA

POLICY/PROCEDURE TITLE:HIMS-Retention and Destruction of Records

	has determined that the facility is in compliance with the quality assurance requirements, or until the test has been performed two additional times at the required frequency, whichever is longer.
Pathology: refer to Pathology policy regarding retention and destruction of documents, tissue blocks, slide and tissues. Reports	Adults 10 years; Minors until age 25 Retain unusual case reports permanently. Reports must be kept at least 10 years.
LABORATORY, PATHOLOGY AND IMAGING RECORDS (cont'd)	
Patient testing specimen records (including personnel performing the test and, if applicable, instrument printouts)	6 years. Must be kept at least 3 years.
Procedure manuals; method of validation	6 years. Must be kept at least 3 years.
Quality control reports	6 years. Must be kept at least 3 years. However, immunohematology quality control records must be kept at least 5 years. Quality control records for blood and blood products must be kept at least 5 years after processing or 6 months after expiration date, whichever is later. Records of histologic or clinical confirmation of cytologic findings on abnormal cases and false negative and false positive results for each category of specimens (which such results are made available) must be kept 10 years.
Radioisotopes – receipt, transfer, use, storage, delivery, disposal and reports of overexposure	Permanent
Registers of tests (chronological log books)	10 years
Requests for tests	3 years. Must be kept at least 3 years.
Research papers published	Permanent.
Specimen records	6 years. Must be kept at least 3 years.
Test reports not otherwise specifically mentioned, preliminary and final	10 years. Reports must be kept at least 3 years.
Video records of diagnostic tests (e.g. arthroscopies)	Adults 10 years, Minors until age 25 Retain only those portions that are specifically selected by the physician to accompany the report in the patient's medical record.

POLICY/PROCEDURE TITLE:HIMS-Retention and Destruction of Records

Radiology / X-ray films / images	Adults 10 years, Minors until age 25 X-ray films should be retained for time prescribed for retention of medical records.
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POLICY/PROCEDURE TITLE: HIMS-Retention and Destruction of Records

MEDICAL RECORDS	
Record	Retention Period
Anatomical gift	Permanent
Birth room record	Permanent
Cancer registry files	Permanent
Index to patients' medical records	Permanent
Patient medical records including, but not limited to: <ul style="list-style-type: none"> • Admission records • Autopsy reports • Consent forms • Consultation reports • Emergency department records • Labor and delivery records • Laboratory and other test results • Nurses' notes and flow sheets • Pathologists' reports • Patient histories • Patient identification information • Physical examinations • Physical therapy notes • Physicians' orders • Radiological examinations and reports • Summary at discharge and final diagnoses • Surgical records including: <ul style="list-style-type: none"> anesthetic records findings operative procedures pre and post-operative diagnoses tissue diagnoses • Temperature charts • Transfer to or from the hospital • Vital sign records • Research records 	Adults 10 years, Minors until age 25 or 10 years, whichever is greater
Psychotherapy notes (office notes not included in the medical record)	Adults 7 years, Minors until age 19 or 7 years, whichever is greater
Psychiatric reports to State Health Department	6 years
Social service confidential case histories	5 years
Transfer records related to patient transfers to or from the hospital not contained in the medical record	5 years

POLICY/PROCEDURE TITLE:HIMS-Retention and Destruction of Records

Surgery <ul style="list-style-type: none"> • Register of operations Operating room logs	10 years
Emergency department logs	10 years

MEDICAL STAFF RECORDS

Record	Retention Period
Allied health professional files, non-employee	Permanent
Continuing education record	Permanent
Medical staff applications, rejected	Permanent
Medical staff committee records, including minutes, reports and other records	Permanent
Medical staff credentialing files	Permanent
On-call lists	5 years
Residents, interns and fellows records	Permanent

NUCLEAR MEDICINE RECORDS

Records	Retention Period
Calibration records	3 years
Exposure records	Permanent
Film body records	6 years
Interpretations, consultations and procedures reports	6 years
Radiation dose records	Permanent
Receipt and disposition of radiopharmaceuticals	6 years
Reports of overexposure	Permanent
Utilization records	6 years

NURSING RECORDS

Records	Retention Period
Minutes of meetings	6 years
Nursing education and training records	6 years
Policies and procedures	6 years after revision
Private duty name files	6 years after last use
Staffing patterns, including methodology used	6 years

POLICY/PROCEDURE TITLE: HIMS-Retention and Destruction of Records

PHARMACEUTICAL RECORDS	
Record	Retention Period
Controlled substances dispensed	3 years
Methadone dispensing – record of drug dispensed for each patient	3 years
Prescriptions	3 years

PUBLIC RELATIONS RECORDS	
Records	Retention Period
Clippings (historical)	Permanent
Contributor records	Permanent
Permission to release information / photographs	7 years
Photographs – institutional	Permanent
Press releases	2 years
Publications (in-house)	Permanent

PURCHASING AND RECEIVING RECORDS	
Records	Retention Period
Packing slips	3 months
Purchase orders	2 years
Purchase requisitions	2 years
Receiving reports	2 years
Returned goods credits	2 years

RESEARCH RECORDS	
Records	Retention Period
Human experimentation records (experimental drugs and devices)	30 years beyond experiment
Other research reports	6 years

POLICY/PROCEDURE TITLE:HIMS-Retention and Destruction of Records

B. Retention Procedure:**1. Business records****a. On-site storage**

All records that are able to be stored within the physical confines of a hospital department, or on the premises of the hospital, should be so stored in accordance with the retention guidelines set forth above. Storage of confidential business records, such as personnel records, contracts, financial information or billing records containing protected patient health information, must be stored in a manner which will preserve the confidentiality of the information. This may be storage within a locked cabinet, or locked office or storage space.

b. Off-site storage

The Compliance Officer must approve off-site storage for all records requiring long term storage.

All records must be stored using approved storage boxes or containers, and must be clearly marked with a brief description of the contents, date ranges of contents, the responsible department, and the intended destruction date. Containers not meeting these requirements may not be sent to off-site storage.

2. Patient medical records and psychotherapy notes**a. Active medical records and psychotherapy notes**

All medical records of patients under active treatment must be stored in a manner that preserves the confidentiality of the information while still providing appropriate accessibility that facilitates excellent quality of care. This means that medical records must not be visible to the public in patient rooms, nurses stations, treatment areas, offices, or while transporting the patients or records.

b. Inactive medical records and psychotherapy notes

POLICY/PROCEDURE TITLE:HIMS-Retention and Destruction of Records

All medical records and psychotherapy notes of patients not under active treatment that are able to be stored within the physical confines of a hospital department, or on the physical premises of the hospital, should be so stored in accordance with the retention guidelines set forth above. Records must be stored in a manner that will preserve the confidentiality of the information, such as a locked cabinet, or locked office or storage space. Medical records must be logged or indexed in a manner that will facilitate retrieval within a reasonable period of time for continuing patient care.

The Director of Health Information Management must approve off-site storage for medical records requiring long term storage.

Medical records must be stored using approved storage boxes or containers, and must be clearly marked with a brief description of the contents, date ranges of contents, the responsible department, and the intended destruction date. Containers not meeting these requirements may not be sent to off-site storage.

F. Destruction Policy:

It is the policy of El Camino Hospital to isolate paper records designated for destruction in a manner that maintains the confidential nature of the information. Containers for material to be destroyed must be located in non-public areas and must remain in a locked room when staff are not in attendance. Paper records designated for destruction will be shredded prior to disposal in order to render the information unidentifiable. Microfilm, x-ray film, tracings, etc. will also be disposed of in a manner that renders the information unidentifiable. Electronic media will be erased or otherwise disposed of in a manner that will render the information permanently unreadable, and unable to be reproduced or retrieved.

G. Destruction Procedure

Records will be destroyed at least annually. The Compliance Officer or Director of Health Information Management will be notified in writing by the department who owns the records prior to destruction. The Compliance Officer or Director of Health Information Management will maintain a permanent destruction log listing records and dates of destruction.

1. Confidential paper records

All types of paper records containing confidential business records, such as personnel records, contracts, financial information or billing records

POLICY/PROCEDURE TITLE:HIMS-Retention and Destruction of Records

containing protected patient health information, or patient medical records, including psychotherapy notes, must be shredded or disposed of in designated containers for shredding.

Shredding containers will be emptied into designated bins which are to remain locked at all times. Contents of bins will be shredded by a contracted service that will maintain protection of confidentiality until all records are shredded.

2. Confidential films, tracings, etc.

Confidential films, tracings, strips, etc. will also be shredded or otherwise disposed of in a manner that will render the information unidentifiable. Confidentiality of these records will also be strictly maintained until destruction is complete.

3. Electronic media

All electronic media will be securely destroyed via contract with data storage contractor.

POLICY/PROCEDURE TITLE: HIMS-Retention and Destruction of Records

APPROVAL	APPROVAL DATES
Originating Committee or UPC Committee:	
_____ Medical Committee (if applicable):	
ePolicy Committee:	9/2016
Pharmacy and Therapeutics (if applicable):	
Medical Executive Committee:	
Board of Directors:	

Historical Approvals: 4/03, 03/05, 11/06, 07/08, 06/09, 10/10, 06/13 (by HIM)

REFERENCES: (as applicable)

“Records Retention Guide,” California Healthcare Association, September 2002.

“The California Patient Privacy Manual,” California Healthcare Association, October 2002, Second Edition.

Title 45, Code of Federal Regulations, Parts 160 and 1

Att. 27g 05 HIMS - Patient Access to Protected Health Information

POLICY/PROCEDURE TITLE: HIMS -Patient Access to Protected Health Information

CATEGORY: Patient Care Services

LAST APPROVAL DATE: 10/2012

SUB-CATEGORY: Patient Care Services

ORIGINAL DATE: 4/03

COVERAGE:

All El Camino Hospital staff

PURPOSE:

Individuals who wish to access their own protected health information may do so only in accordance with applicable state and federal laws. Requests for access and copying must be in writing and signed by the patient or legal representative unless during a period of active care. This policy and procedure establishes the process for handling patient requests, circumstances where the hospital may deny access, the patient's right to appeal a denial, the time frame within which requests will be processed, and fees for making requested copies available.

STATEMENT:

- *It is the policy of El Camino Hospital to comply with all mandatory reporting requirements for health insurance portability and accountability act (HIPAA)*
- *It is the procedure of El Camino Hospital regarding health insurance portability and accountability act (HIPAA) to ensure patient safety*

DEFINITIONS (as applicable):

Note: The definitions below are in compliance with the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

1. *Protected Health Information:* Individually identifiable health information that is transmitted or maintained by electronic or any other medium.

POLICY/PROCEDURE TITLE: HIMS -Patient Access to Protected Health Information

2. *Designated Record Set:* Medical records, behavioral health records (including psychiatric, alcohol and drug treatment records), and billing records about an individual patient maintained by the hospital and used to make decisions in the process of healthcare delivery. Medical records created by another provider filed with records of El Camino Hospital are included.
3. *Psychotherapy Notes:* Notes recorded by a mental health professional documenting or analyzing the contents of conversation during a private, group, joint or family counseling session which are separated from the rest of the individual's medical record. Medication prescription and monitoring, counseling start and stop times, modalities and frequencies of treatment, and a summary of diagnosis, functional status, treatment plan, symptoms, prognosis or progress are not considered to be psychotherapy notes and are, therefore, open to patient access.

PROCEDURE:**A. Policy for patient access to protected health information during period of care:**

Pertinent information may be provided to patients and their personal representatives to share with other providers for treatment purposes. Patients may review their medical records (without addition or correction) during the period of active care. Corrections or additions must be handled in accordance with the administrative policy "Patient Request for Amendment of Protected Health Information." The patient's attending physician should be notified if the patient has questions about the documentation or feels that information may be in error. These disclosures do not require authorization or written request. (Access to Behavioral Health records should be handled in accordance with California State law.)

B. Policy for patient access to protected health information after patient has left the hospital:**1. Information available to the patient:**

Upon appropriate written request, access will be permitted to the individual patient's protected health information, including medical records and billing records unless the information falls into one of the categories which may be denied as discussed below. Peer review, quality assurance, and information created and maintained for business purposes of the hospital not used to make

POLICY/PROCEDURE TITLE: HIMS -Patient Access to Protected Health Information

decisions about an individual patient in the process of healthcare delivery are not considered part of the designated record set and are not subject to review or copying by the patient or legal representative.

In addition, patients do not have the right to access and obtain copies of:

- Psychotherapy notes;
- Information compiled for use in civil, criminal, or administrative actions;
- Information subject to prohibition by the Clinical Laboratory Improvements Act (CLIA); or
- Information that is not part of the designated record set.

2. Request must be in writing:

Individual patients or legal representative must request access to their own protected health information in writing. The request must be signed and dated by the patient or legal representative.

3. Time frame for response to patient request:

Access to inspect medical and billing records will be provided within five (5) working days of receipt of the written request. Copies will be provided within fifteen (15) working days of receipt of the written request.

4. Manner of access:

El Camino Hospital will arrange with the individual a convenient time and location in the hospital to inspect or obtain copies of the protected health information. Individuals reviewing records must provide identification upon request.

Inspection will be attended by a hospital staff member. The patient or legal representative will be referred to the patient's physician for discussion of clinical questions. Copies of the records may be mailed in lieu of inspection at the hospital upon patient request.

5. Fees:

No fee will be charged for retrieving a patient's records and allowing the patient or his legal representative to review them.

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Reasonable cost-based fees will be charged by the hospital for providing copies of protected health information, other than those forms signed by the patient or legal representative with a copy designated for the patient (e.g., Conditions of Admission, consent forms, etc.).

- The fees will include the costs of copying (including supplies and labor) and postage (if the individual has requested that the records be mailed). A current fee schedule will be provided upon request.
- A reasonable deposit fee may be charged for original x-ray films in order to assure return.
- Copies will be provided at no charge when records are needed to prove eligibility for a public benefit program (e.g., Medi-Cal, Social Security disability insurance benefits, and Supplemental Security Income/State Supplementary Program for the Aged, Blind and Disabled [SSI/SSP] benefits).

6. Denial of patient access:

A request for access or copies may be denied in the following situations:

- The request is for records that are not available for inspection (see Subsection E of this policy, “Information Available to the Patient”);
- The hospital is acting under the direction of a correctional institution to deny access to an inmate;
- The protected health information has been created or obtained during an active research project and the patient agreed that access would not be permitted while the research project was active ;
- The protected health information contains information obtained from someone other than a healthcare provider under a promise of confidentiality and the requested access would reveal the source of the information;
- The requested information has been compiled in anticipation of a civil, criminal or administrative proceeding;

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- The request is for behavioral health records, which may contain reference to another person, and the Medical Director for Behavioral Health Services has determined that the information may endanger the life or safety of the patient or the other person referenced; or
- The request is from the patient's legal representative for behavioral health records which makes reference to another person, and the Medical Director for Behavioral Health Services has determined that access to the information is likely to endanger the life or safety of such other person.

If access or copies are denied, a written explanation of the basis for denial will be provided to the patient or legal representative within five (5) working days of receipt of the request. This explanation will include information regarding whether or not an appeal to the hospital may be made, the process for placing and handling such an appeal, and how to register a complaint with the Secretary of the Department of Health and Human Services.

7. Appeal of denial:

If access is denied, it must first be determined whether the denial may be appealed.

a. Unreviewable grounds for denial –

No appeal process exists under state or federal law in the following circumstances:

- The protected health information is exempted from the right of access;
- The hospital is acting under the direction of a correctional institution to deny access to an inmate, and the information could jeopardize the health, safety, security, custody, or rehabilitation of the inmate, any officer, employee, or other inmates;
- A patient's right to protected health information created or obtained in the course of research may be temporarily suspended while the research is in progress, provided the

POLICY/PROCEDURE TITLE: HIMS -Patient Access to Protected Health Information

patient has agreed to the denial of access when agreeing to participate. The right of access will be reinstated upon completion of the research; or

- The protected health information contains information obtained from someone other than a healthcare provider under a promise of confidentiality and the requested access would reveal the source of the information.

b. Reviewable grounds for denial –

The individual may appeal a denial under the following circumstances:

- The Medical Director of Behavioral Health Services has determined that the access is likely to endanger the life or safety of the individual;
- The records contain reference to another individual and the Medical Director of Behavioral Health Services has determined that the access is likely to endanger the life or safety of such other person; or
- The request is made by the individual's legal representative and the Medical Director of Behavioral Health Services has determined that the access is likely to endanger the life or safety of the individual or another person.

8. Appeal for review of a denial of access:

If access is denied based on reviewable grounds, an appeal must be made in writing and signed and dated by the patient or legal representative who made the original request.

If an appeal is made, the review must be performed within a reasonable period of time by a licensed healthcare professional designated by the hospital who did not participate in the original decision to deny access.

The reviewer will determine whether or not to deny access based on the items listed above under "Reviewable grounds for denial." The reviewer will promptly report his decision to the Director of Health Information

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Management Services, who will provide written notice to the individual of the determination and initiate any appropriate action.

9. Retention of documentation:

All documentation related to an individual's, or legal representative's, request for access, and any documentation related to a denial process, will be filed with the medical record and retained in accordance with the policy for retention of medical records.

C. Procedure for patient access to protected health information:

All requests for access to protected health information by an individual patient or legal representative will be assessed in accordance with this policy. Appropriate response will follow promptly.

1. Written request:

All requests for access of copies of protected health information must be in writing and must be signed and dated by the individual patient or legal representative. Incomplete requests will be considered invalid and will be returned to the requestor immediately.

2. Reply to request:

Unless denied, access to inspect medical, behavioral health and billing records will be permitted within five (5) working days of receipt of the written request. Copies will be provided within fifteen (15) working days of receipt of the written request.

Patient requests for access to behavioral health information will be referred to the Medical Director of Behavioral Health Services and the requestor will be so notified immediately upon receipt of the request.

If access or copies are denied under conditions listed above in this policy, the Director of Health Information Management Services, Risk Manager, or designee, will be so notified. A written explanation of the basis for denial will be provided to the patient or legal representative within five (5) working days of receipt of the request.

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3. The process for appeal:

Upon receipt of a written appeal for review of the denial, the Director of Health Information Management Services, Risk Manager, or designee, will be notified.

Administrative arrangements will be made promptly to secure the services of a licensed healthcare professional not previously involved in the denial process.

The requestor will be notified promptly of the determination of the reviewer. If access is to be permitted, arrangements will be made to permit inspection within five (5) days of the determination. If copies are to be provided, the copies will be provided within fifteen (15) days of the determination.

4. Retention of documentation:

All documentation relating to the request, or any denial or appeal will be filed with the medical record and retained in accordance with the policy on retention of medical records.

POLICY/PROCEDURE TITLE: HIMS -Patient Access to Protected Health Information

APPROVAL	APPROVAL DATES
Originating Committee or UPC Committee:	
_____ Medical Committee (if applicable):	
ePolicy Committee:	9/2016
Pharmacy and Therapeutics (if applicable):	
Medical Executive Committee:	
Board of Directors:	

Historical Approvals: 4/03, 03/05, 11/06, 06/09, 10/12

REFERENCES: (as applicable)

“The California Patient Privacy Manual,” California Healthcare Association, October 2002, Second Edition.

Title 45, Code of Federal Regulations, Parts 160 and 164, August 14, 2002.

POLICY/PROCEDURE TITLE:HIMS -Patient Access to Protected Health Information

Policies:

ECH BOARD MEETING AGENDA ITEM COVER SHEET

Item:	Executive Compensation Policies El Camino Hospital Board of Directors October 12, 2016
Responsible party:	Kathryn Fisk, Chief Human Resources Officer Julie Johnston, Director, Total Rewards
Action requested:	Board Approval
Background: There are three Board policies regarding Executive compensation: <ol style="list-style-type: none"> 1. Compensation Philosophy – updated participant list. Recommended change in the cost-of-labor differential from 20% to 25%. 2. Salary Administration – no material change 3. Performance Incentive Plan – changed weight of organizational goals for Presidents of the Foundation and Concern:EAP from 70% to 50%; El Camino Hospital organizational with 40% Foundation or Concern:EAP division goals and 10% discretionary. 	
Committees that reviewed the issue and recommendation, if any: <ul style="list-style-type: none"> • Executive Compensation Committee – September 12, 2016 	
Summary and session objectives : To obtain Board approval to revise the attached executive compensation policies in accordance with its previous recommendations.	
Suggested discussion questions: <ul style="list-style-type: none"> • N/A 	
Proposed Committee motion, if any: To the revised Executive Compensation Policies (with or without changes) as listed above.	
Attachments: <ol style="list-style-type: none"> 1. Executive Compensation Philosophy 2. Executive Base Salary Administration 3. Executive Performance Incentive Plan 	

Executive Compensation Philosophy

**EL CAMINO HOSPITAL
BOARD OF DIRECTORS POLICIES AND PROCEDURES**

03.01 EXECUTIVE COMPENSATION PHILOSOPHY

A. Coverage:

The Chief Executive Officer (“CEO”) of El Camino Hospital (“the Hospital”) and those executives reporting directly to the CEO and approved participants. Participation in the plan is subject to approval by the Hospital Board of Directors (see Attachment A).

B. Reviewed/Revised:

New: 2/08, 6/09, 12/08/10; 8/10/11, 2/13/13, 6/11/14 for review by ECC 9-12-16

C. Policy Summary:

The compensation philosophy is the official statement of El Camino Hospital’s Board of Directors regarding the guiding principles and objectives upon which executive compensation decisions are based, and the general parameters and components for accomplishing these objectives.

The executive compensation program encompasses both cash compensation (salary, incentive pay, and other cash compensation) and non-cash compensation (employer provided benefit plans and perquisites) which in whole, represent total compensation. The program is governed by the Board of Directors and the Executive Compensation Committee which advises the Board to meet all applicable legal and regulatory requirements as it related to executive compensation and their effectiveness in attracting, retaining, and motivating executives.

D. Executive Compensation Philosophy:

The philosophy describes the guiding principles and objectives of the executive compensation program. Executive compensation decisions will be made using the following guiding principles and objectives:

1. Support the Hospital’s ability to attract, retain, and motivate a highly-talented executive team with the ability and dedication to manage the Hospital accordingly.
2. Support the Hospital’s mission and vision and achievement of strategic goals.
3. Encompass a total compensation perspective in developing and administering cash compensation and benefit programs.

4. Considers the Hospital's financial performance and ability to pay which shall be balanced with the Hospital's ability to attract, retain and motivate executives.
5. Govern the executive compensation programs to comply with state and federal laws.

E. Components:

The three key components of the executive compensation program are base salary, performance incentive compensation, and benefits.

1. Base Salary. Each executive position will be assigned a salary range that is competitive with comparable hospitals and accounts for the higher cost of labor in Silicon Valley.
2. Performance Incentive Compensation. Each executive will be eligible for a goal-based performance incentive compensation program. An executive's performance incentive payout will be based on their performance against pre-defined organizational and individual goals and objectives aligned with the Hospital's mission, vision, and strategic goals.
3. Executive Benefits and Perquisites. The Hospital may provide executives with supplemental benefits as described in the executive benefits policy. It is the Hospital's practice to minimize the use of perquisites in total executive compensation.

F. Roles and Responsibilities:

The Executive Compensation Committee shall recommend and maintain written policies and procedures regarding the administration of each component. The Hospital Board of Directors will approve all policy changes.

G. Definitions

Comparable Hospital – To measure the competitiveness of the executive compensation program, the Hospital will use, in general, compensation information from tax-exempt independent hospitals from across the United States comparable in size and complexity to the Hospital. The hospitals will be comparable in size and complexity based upon net operating revenues.

Competitive Position – A determination of where the Hospital places executive salaries, incentives, and benefits relative to comparable hospitals nationally. El Camino Hospital's competitive position for base salaries is the market median plus a geographic differential for the Silicon Valley area.

Geographic Differential – Recognizes the significantly higher cost-of-labor in Silicon Valley. The Committee will periodically analyze data to ensure the geographic differential is appropriate and accurately projecting the El Camino Hospital median.

El Camino Hospital Median – Reflects the median base pay of the comparable hospitals plus the geographic differential for a particular position. The Hospital increases the data by 205% to calculate the El Camino Hospital median.

Other Cash Compensation – Other cash compensation excludes base salary and incentive pay but includes a hiring and retention bonuses, and relocation reimbursement.

Salary Range - A range established as 20% below to 20% above the salary range midpoint, resulting in a maximum amount that is 150% of the minimum amount.

Salary Range Midpoint - The midpoint of the salary range for each executive position will be set at the El Camino Hospital Median.

Total Cash Compensation – includes base salary plus annual incentive compensation (and other cash) paid to an executive.

Total Compensation – Total cash compensation plus the cost of employee and executive benefit programs.

**ATTACHMENT A:
APPROVED PARTICIPANTS IN EXECUTIVE
COMPENSATION PROGRAM
Effective ~~7/1/14~~ 8/1/2016**

Cecile Currier, Vice President Corporate and Community Health*
Cheryl Reinking, Chief Nursing Officer
~~Eric Pifer, Chief Medical Officer~~
Gregory Walton, Chief ~~Information Technology~~ Officer
Iftikhar Hussein, Chief Financial Officer
Richard Katzman, Chief Strategy Officer
Joan Kezic, Vice President Payor Relations*
Joanne Barnard, President, El Camino Hospital Foundation
Kathryn Fisk, Chief Human Resources Officer
Kenneth King, Chief Administrative Services Officer
~~Mary Rotunno, General Counsel~~
Michael Zdeblick, Chief Operations Officer
~~Patricia Wolfram, Vice President ECH Los Gatos~~
Tomi Ryba, President and CEO
William Faber, MD, Chief Medical Officer
Open, Chief Information Officer

*These executives are considered grandfathered participants and shall continue to be eligible for the Executive Compensation Program as long as the individual remains in an executive position with El Camino Hospital.

Note: Executives hired on an interim basis are not eligible for the Executive Compensation and Benefits Program.

Executive Base Salary Administration

**EL CAMINO HOSPITAL
BOARD OF DIRECTORS POLICIES AND PROCEDURES**

03.02 EXECUTIVE BASE SALARY ADMINISTRATION

A. Coverage:

The Chief Executive Officer (“CEO”) of El Camino Hospital (“the Hospital”) and those executives reporting directly to the CEO or COO. Participation in the plan is subject to approval by the Hospital Board of Directors.

B. Reviewed/Revised:

New 9/15/09, 12/08/10, 2/13/13, 6/11/14, for ECC review 9/12/16

C. Policy Summary:

D. Base salary is one component of the executive total compensation program which includes benefits, performance incentive pay, and other cash compensation. This policy defines how a salary range is established and provides guidelines for determining an individual’s placement in the range. The program is governed by the Board of Directors and administered by the Executive Compensation Committee (“the Committee”).

E. General Provisions:

1. **Salary Range** – Each executive position at El Camino Hospital will have a salary range with minimum and maximum, determining the lowest and highest pay for that job.
 - a. The salary range midpoint reflects the median base pay of the comparable hospitals plus the cost-of-labor adjustment (known as the El Camino Median).
 - b. The salary range will be from 20% below to 20% above the salary range midpoint, resulting in a maximum amount that is 150% of the minimum amount.
 - c. Salary ranges will be updated annually based on competitive market data and/or executive increase market trends. The Executive Compensation Committee reserves the right to establish lower salary ranges or to freeze salary ranges and recommend freezing or lowering base salaries when financially prudent.

2. **Placement in the Salary Range** includes initial placement of a new hire, adjustments when there is a change in job scope, and periodic salary increases or decreases. An individual's placement in the range will be determined based on a combination of the following factors: paying competitively, rewarding performance, and recognizing competence, credentials, and experience.

The guidelines for placement in range are:

- a. ***Pay at 80% to 90% of Midpoint*** is appropriate for a newly hired individual with limited experience in a comparable position, or for an individual who has recently been promoted and needs developmental time in the position. An individual may be eligible for higher percentage increases, aligned with performance, when positioned at this level.
- b. ***Pay at 90% to 110% of Midpoint*** is appropriate for a fully experienced (6 to 8 years) individual with a demonstrated record of consistently meeting performance expectations. The Hospital manages base salary increases so that upward movement in salary reflects individual performance and demonstrated proficiency.
- c. ***Pay at 110% to 120% of Midpoint*** may be appropriate for a highly experienced individual with demonstrated record of consistently exceeding performance expectations or with skills and expertise beyond those normally associated with the position. The Hospital compares base salary levels above market with competitive market data to verify that individual base salary is reasonable.
- d. The Hospital Board of Directors can approve salaries above the normal salary range for hard-to-recruit positions or positions deemed critical to the success of the organization. The Hospital compares salary levels above market with competitive market data to verify that the individual base salary and total compensation is reasonable.

F. Roles and Responsibilities

1. The El Camino Hospital Board of Directors shall approve executive base salaries.
2. The Executive Compensation Committee Charter defines the responsibilities delegated by the Hospital Board such as selecting consultants and approval of the salary ranges.

3. The CEO recommends the salary range and base salary for those executives reporting to the CEO to the Committee.
4. The Chief Human Resources Officer and/or Director ~~Compensation and Benefits~~ Total Rewards are responsible for implementing salary ranges and base salaries.

Executive Performance Incentive Plan

**EL CAMINO HOSPITAL
BOARD OF DIRECTORS POLICIES AND PROCEDURES**

03.04 EXECUTIVE PERFORMANCE INCENTIVE PLAN

1. Coverage:

The Chief Executive Officer (“CEO”) of El Camino Hospital (“the Hospital”) and those executives reporting directly to the CEO or COO. Participation in the plan is subject to approval by the Hospital Board of Directors.

2. Reviewed/Revised:

New: 9/15/09, 12/08/10, 2/13/13, 6/11/14 (eff 7/1/14), 10/14/15, for ECC review 9/12/16

3. Policy Summary:

The Performance Incentive Plan is one component of the executive total compensation program which includes base salary, benefits, and other cash compensation. The Performance Incentive Plan is a goal-based compensation program designed to motivate and reward performance toward key annual strategic goals of the Hospital.

4. General Provisions:

The target amount for incentive pay will be competitive with those at comparable hospitals. An executive’s incentive payout will be based on their performance against pre-defined organizational and individual goals and measures aligned with the Hospital’s mission, vision, and strategic goals.

1. Eligibility – Participants hired after December 31 will not be eligible for the program until the beginning of the next fiscal year on July 1. Incentive compensation will be pro-rated for executives with at least six months, but less than one year in the position at the end of the fiscal year. Written performance goals and measures will be determined within the first 60 days of employment.
2. Criteria – the Hospital has established three criteria for payout. There will be no payout unless all three criteria are met. The Hospital must be accredited by the Joint Commission and the individual executive must “meet expectations” on their performance review. In addition, the Hospital will establish a financial measure that must be achieved each fiscal year (i.e., a percent of operating margin) for payout to occur.
3. Amount of incentive pay – the maximum payout for an executive is 30% of their base salary as of the end of the fiscal year. The targeted payout percent for those

participants reporting to the CEO or COO is 20% of base pay. The maximum incentive pay for the CEO is 45% with a target of 30% of base salary.

4. Organizational Goals – each fiscal year the Hospital will define organizational goals that support the strategic/business plan upon which 70% (90% for the CEO) of performance incentive pay will be based. Whenever possible, each goal will have performance measures for threshold, target, and maximum levels and payouts will be on a continuum. Organizational goals will account for 50% of performance incentive pay for Presidents of the Foundation and Concern:EAP.
5. Executive Individual Goals (excluding CEO) – at the beginning of the fiscal year, each participant will propose performance goals and measurements that support the strategic/business plan upon which 20% of performance incentive pay will be based. Whenever possible, each goal will have performance measures for threshold, target, and maximum levels and payouts will be on a continuum. Individual goals based on the Foundation or Concern’s organizational goals, will account for 40% of performance incentive pay for Presidents of the Foundation and Concern:EAP. respectively.
6. Ten percent (10%) of the executive’s performance incentive pay will be at the CEO’s discretion subject to Board approval. Ten percent (10%) of the CEO’s performance incentive pay will be at the Board’s discretion.
7. Performance Incentive Payout – Incentive compensation will be paid within 30 days of the Board of Directors approving the payout amounts. In order to receive incentive compensation, executives must be employed in an executive position at the time the incentive compensation is paid.

5. Roles and Responsibilities

1. The El Camino Hospital Board of Directors shall approve the plan design, organizational goals, executive individual goals, and performance incentive payout amounts.
2. The Executive Compensation Committee Charter defines the responsibilities delegated by the Hospital Board such as reviewing and recommending goals and performance incentive payout amounts.
3. The CEO recommends the organizational and individual goals, discretionary score, and recommends incentive payout amounts to the Committee.

4. The Chief Human Resources Officer and/or Director ~~Compensation and Benefits~~Total Rewards are responsible for overseeing administration of the program and implementing actions approved by the Board.

k. Minutes of the Open Session of the Executive Compensation Committee Meeting (May 17, 2016)

**Minutes of the Open Session of the
Executive Compensation Committee**

Tuesday, May 17, 2016

El Camino Hospital | 2500 Grant Road Mountain View, CA 94040

Conference Room C

Members Present

Lanhee Chen
 Teri Eyre
 Bob Miller, Vice Chair
 Julia Miller
 Prasad Setty

Members Absent

Jeffrey Davis, MD, Chair
 Jing Liao

Others Present

Kathryn Fisk, CHRO
 (via phone)
 Julie Johnston,
 Director of Total Rewards
 Cindy Murphy, Board Liaison
 Steven Pollack, Mercer, LLC
 Tomi Ryba, CEO
 Lisa Stella, Mercer, LLC
 Mick Zdeblick, COO

Agenda Item	Comments/Discussion	Approvals/Action
1. CALL TO ORDER	The Open Session meeting of the Executive Compensation Committee of El Camino Hospital (the “Committee”) was called to order at 4:33 pm by Vice Chair Bob Miller.	
2. ROLL CALL	A silent roll call was taken. Chair Davis and Ms. Liao were absent. All other Committee members were present.	
3. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Vice Chair Miller asked if any Committee members may have a conflict of interest with any of the items on the agenda. No conflicts were noted.	
4. PUBLIC COMMUNICATION	None.	
5. CONSENT CALENDAR	<p>Vice Chair Miller asked if any member of the Committee or the public wished to remove an item from the consent calendar. No items were removed.</p> <p>Motion: To approve the consent calendar: Minutes of the Open Session of the Executive Compensation Committee Meeting of March 24, 2016 and Minutes of the Open Session of the Joint Hospital Board and Executive Compensation Committee Meeting of April 13, 2016.</p> <p>Movant: Chen Second: J. Miller Ayes: Chen, Eyre, B. Miller, J. Miller, Setty Noes: None Abstentions: None Absent: Davis, Liao Recused: None</p>	<i>Consent calendar approved</i>
6. ADJOURN TO CLOSED SESSION	<p>Motion: To adjourn to closed session at 4:36 pm.</p> <p>Movant: Eyre Second: J. Miller Ayes: Chen, Eyre, B. Miller, J. Miller, Setty Noes: None Abstentions: None Absent: Davis, Liao</p>	<i>Adjourned to closed session at 4:36pm.</i>

	Recused: None	
7. AGENDA ITEM 18: RECONVENE OPEN SESSION/ REPORT ON BOARD ACTIONS	<p>Open Session was reconvened at 6:30 pm.</p> <p>During the closed session, the Committee approved the Minutes of the Closed Session of the Executive Compensation Committee Meeting of March 24, 2016, by vote of 5 members present (Chen, Eyre, B. Miller, J. Miller, Setty) and two absent (Davis, Liao).</p> <p>The Committee voted to recommend the following to the Board for approval by a vote of 5 members present (Chen, Eyre, B. Miller, J. Miller, Setty) and two absent (Davis, Liao).</p> <ul style="list-style-type: none"> - Proposed FY17 executive salary ranges and midpoints with geographic market differential - Proposed FY17 executive base salary increases - Proposed FY17 CEO salary range and midpoint with geographic market differential - Proposed FY17 Organizational Goals - Proposed FY17 executive individual performance incentive goals 	
8. AGENDA ITEM 19: FY17 PACING PLAN	<p>Ms. Ryba explained that the Committee has a budget for educational events or conferences, if members would like to participate. This fund has never been used.</p> <p>Motion: To approve the FY17 pacing plan.</p> <p>Movant: J. Miller Second: Chen Ayes: Chen, Eyre, B. Miller, J. Miller, Setty Noes: None Abstentions: None Absent: Davis, Liao Recused: None</p>	<i>FY17 Pacing Plan approved</i>
9. AGENDA ITEM 20: CLOSING COMMENTS	There were no additional comments.	
10. AGENDA ITEM 21: ADJOURNMENT	<p>Motion: To adjourn at 6:41 pm.</p> <p>Movant: J. Miller Second: Chen Ayes: Chen, Eyre, B. Miller, J. Miller, Setty Noes: None Abstentions: None Absent: Davis, Liao Recused: None</p>	<i>Meeting adjourned at 6:41 pm.</i>

Attest as to the approval of the foregoing minutes by the Executive Compensation Committee and the Board of Directors of El Camino Hospital.

Lanhee Chen
Chair, Executive Compensation Committee

Peter C. Fung, MD
Secretary, ECH Board of Directors

Prepared by: Sarah Rosenberg, Board Services Coordinator

Medical Staff Report

Board of Directors Open Session – October 12, 2016

To: El Camino Hospital Board of Directors

From: Rebecca Fazilat, MD, Chief of Staff MV
J. Augusto Bastidas, MD, Chief of Staff LG

Date: September 30, 2016

RE: REPORT FROM THE MEDICAL STAFF EXECUTIVE COMMITTEE

This report is based upon the Medical Staff Executive Committee meeting of **September 22, 2016**.

Request Approval of the Following:

A. Patient Care Policies & Procedures – Policy Summaries (pp. 2-3)

- **Policies with Major Revisions (See Summary p.2)**
 - Birth Recording Process
- **Policies with Minor Revisions (See Summary p 2)**
 - Protocol: Stroke – Transient Ischemic Attack (TIA), Patient Management in Emergency Department
 - Adverse Event Reporting
 - TB Surveillance
 - Forms and Print Management
 - Visual Monitoring
 - Correction of Transcribed Reports
 - Discharge Summary
 - Maintenance of Advanced Directives
 - Transcription Turn Around Time

SUMMARY OF POLICIES/PROTOCOLS FOR REVIEW AND APPROVAL

NEW POLICIES				
Policy Number	Policy Name	Department	Date	Summary of Policy Changes
POLICIES WITH MAJOR REVISIONS				
Policy Number	Policy Name	Department	Review or Revised Date	Summary of Policy Changes
	Birth Recording Process	HIMS	9/6	Streamlined Policy
POLICIES WITH MINOR REVISIONS				
Policy Number	Policy Name	Department	Review or Revised Date	Summary of Policy Changes
	Protocol: Stroke - Transient Ischemic Attack (TIA), Patient Management in Emergency Department	Emergency Department	9/6	Update of process of stroke patient care to improve treatment time
	Adverse Event Reporting	Administrative	9/6	
	TB Surveillance	Infection Control	9/6	No changes in procedure—nothing is different. Just rewritten to be more clearer.
	Forms and Print Management	HIMS	9/6	
	Visual Monitoring	Emergency Department	9/6	Removal of line about RN to RN communication since this was the process in the previous HER Addition of line to add order for visual monitoring – this is the current process with the change to EPIC
	Correction of Transcribed Reports	HIMS	9/6	EHR Wording Changed
	Discharge Summary	HIMS	9/6	Added Verbiage
	Maintenance of Advanced Directives	HIMS	9/6	Changed Verbiage
	Transcription Turn Around Time	HIMS	9/6	TAT hours changed
POLICIES WITH NO REVISIONS - REVIEWED				
Policy Number	Policy Name	Department	Review or Revised Date	

POLICIES TO ARCHIVE				
Policy Number	Policy Name	Department	DATE ARCHIVE	

CEO Report



Date: October 12, 2016
 To: El Camino Hospital Board of Directors
 From: Tomi Ryba, CEO
 Re: CEO Report - Open Session

Organizational Goals FY17		Benchmark	2016 ECH Baseline	Minimum	Target	Maximum	Weight	Performance Timeframe	FY17 through Aug	
Threshold Goals										
Budgeted Operating Margin		90% threshold <i>[Recommended by Exec Comp Consultant (FY16)]</i>	TBD	90% of Budgeted			Threshold	FY 17		Met
Quality, Patient Safety & iCare										
Quality Pain Management	Pain Reassessment (% Pain Reassessment Documented within 60 min on RN Flowsheet)	Internal Improvement	56.3% Jan - Jun 2016 <i>[6-month measurement]</i>	75.00%	80.00%	90.00%	34%	Q4 FY 2017		63.40%
	Pain Patient Satisfaction (CMS HCAPHS Pain Management % Scored Top Box- 2 month delay)	Internal Improvement	72.9% FY 2016 Q1 - Q3 <i>[9-month measurement]</i>	73%	74%	76%				74.7%
LOS & Readmission	Achieve Medicare Length of Stay Reduction while Maintaining Current Readmission Rates for Same Population (Readmission - 45 day delay)	Internal Improvement	FY16 Max Goal 4.86 LOS Readmission Target 12.39%	4.81 .05 Day Reduction from FY16 Max, Readmission at or below FY16 Target	4.76 .10 Day Reduction from FY16 Max, Readmission at or below FY16 Target	4.66 .20 Day Reduction from FY16 Max, Readmission at or below FY16 Target	33%	FY17		LOS: 4.49 Readmission: 10.17% (80/787)
Smart Growth										
Achieve budgeted inpatient growth (surgical and procedural cases plus Deliveries and NICU), and budgeted outpatient growth (surgical and procedural cases plus infusion).		Internal Documentation	TBD	95% of Budgeted Volume	100% of budgeted Volume	110% of Budgeted Volume	33%	FY 17		87.66% of Budgeted Volume

Patient Safety and Quality

- Length of Stay and Readmission: The teams continue to pursue the LOS and Readmission goals which we are currently meeting. In addition, the teams are addressing LOS at the diagnosis level insuring the treatment plans are appropriate for those diagnosis that are outside the usual LOS at ECH.

Operations

- RoadRunner's Lyft pilot is ongoing with 103 rides completed in August. Lyft has helped to increase the number of rides by 11.4% and compared to the same month last year, rides have increased by 20.6%. Waitlists have been eliminated.
- The ECHD FY17 Hypertension Initiative kick-off at the Columbia Neighborhood Center was coordinated by Community Benefit grantee partner, American Heart Association Silicon Valley. The first Heart Health Hub screening is 10/1/2016 and planning is underway for a series of Heart Health Hubs and the public hypertension awareness campaign to launch later in FY17.
- SAHC hosted first Continuing Medical Education event at Fremont Center "Dysmetabolism or Dislipidemia: Where to Look?" with 13 physician attendees.
- AR is at 56.3 days with Candidate for Bill (CFB) at 5.3 days exhibiting improved metrics over goal. Reductions in charges this month most likely due to seasonal volume reductions. Payments increased by 5.4 million with total cash collected exceeding goal target for August.
- The SoftLab Laboratory System completed an upgrade in September to meet Meaningful Use requirements beginning January 2017.
- Pathways Homecare and Hospice training is in progress for the implementation of the Epic System which is on track for go-live on November 1, 2016.
- The Enterprise PMO, under the leadership of Kristy Ikerd and Deb Muro, is managing, tracking and communicating project status to organizational leadership with reporting scheduled monthly to the EAC.
- Telecommute Policy Pilot - finalized and Implemented Telecommuting Pilot: created guidelines in partnership with leadership task team, identified pilot departments, and developed pilot policy, procedure, and required documentation. Provided direct support and recommendations to launch pilot in identified pilot departments.
- Completed 4 week on-site FY2016 audits by Moss-Adams of District Consolidated, Foundation, CONCERN, and Auxiliary.
- August cash collections were \$76,591,323 achieving \$10.7 Million over goal.
- The Data Governance meetings are now focused on 4 areas and we devote an hour meeting for each of the areas monthly which include:
 - Meaningful Use
 - EDW – Cogito transition plan
 - Service Line discussion
 - Data Integrity / Data Definition

The meetings are productive and members give good advice to project lead in managing the project or area of caution.

Community Outreach

- Completed the following outreach events:
 - Livermore Temple Outreach (25 biometrics, 50 attendees)- monthly
 - Swades Health Fair (75 biometrics, 15,000 attendees)
 - Independence Day at De Anza College (100 attendees)
 - Sunnyvale Temple Outreach (20 biometrics, 40 attendees) – monthly
 - ICC Oddfellows Outreach (15 attendees) – monthly
 - Fremont Temple Outreach – New (29 biometrics, 60 attendees) – monthly
- Concluded three HbA1c final-screenings for the Challenge Diabetes Program (CDP) resulting in 530 community members enrolled in CDP. The program is a partnership between ECH, three Community Service Agencies and Second Harvest Food Bank that aims to help people who are pre-diabetic (Type 2) from becoming diabetic.
- ECH Health Library and Resource Center (“HLRC”) Community Health Services Outreach to promote eldercare and library services:
 - HLRC table at El Camino’s Better Breathers Club
 - HLRC table at Active Aging Week at MV Senior Center
 - HLRC table at Medicare/Medi-Cal event at ECH
- Held the annual Chinese-speaking Physician Appreciation Dinner with a total of 22 physicians in attendance.
- Director Julia Miller and Brenda Taussig worked with the Association of California Healthcare Districts (ACHD) to provide information for a Little Hoover Commission hearing on the value of healthcare districts in the state. ECHD/ECH’s Community Benefit program was used as the district “best practice” example in ACHD’s testimony. The State Assembly Local Government Committee is expected to hold a hearing examining healthcare district governance and services in the first quarter of 2017.
- Brenda Taussig attended a morning of meetings and tours with five state legislators at biotech firms Gilead and Johnson & Johnson “JLabs” to discuss state health policy, including recent efforts to regulate the price of pharmaceuticals.
- Brenda Taussig joined several Hospital Council leaders at a lunch meeting with three candidates for state Assembly to discuss challenges facing local hospitals, community benefit and mental health.

- Staff attended the quarterly meeting of the Santa Clara County Special District Association which featured District Attorney Jeff Rosen presenting research his office is conducting to collect data on the ethnicity of defendants and crime victims, as well as the actions taken on their cases at each stage of their encounter with the prosecutor's office.
- Staff and invited community leaders attended the Community Services Agency "Hometown Heroes" Breakfast, which was sponsored by the District.
- Launched the Bay Area's first Preconception Workshop to help couples prepare their bodies and minds in order to have a happy and healthy pregnancy. A very engaged group of 10 couples listened to advice and asked questions related to finding a provider, how to access resources and plan their pregnancy.

**El Camino Hospital Auxiliary
Activity Report to the Hospital Board
Meeting of October 12, 2016**

September Highlights:

- Auxiliary leadership met with various members of the hospital Board of Directors to review the Auxiliary's accomplishments, activities and goals. The two sessions included discussions on the importance of the ongoing efforts in recruitment and retention, as well as plans to strengthen leadership.
- A number of our junior volunteers helped out at the Walk from Obesity on September 10th. On September 17th, additional juniors helped out at the NICU reunion party.
- The Auxiliary held its annual Hooks & Needles and Pinkies luncheon on September 19th to honor the many volunteers who contribute their handcrafted items for the comfort of the patients. Volunteers make approximately 5,000 baby caps, 4,800 comfort pillows, as well as a multitude of other items (such as busy squares for dementia patients, blankets for cancer patients, ear pillows, etc.) each year. Many of these items are made at home, and some are even made by members of the community.
- The Auxiliary is working with Behavioral Health to develop a program specifically aimed at our junior volunteers to inform them of the ASPIRE program. We all believe that this information is vital to this group of volunteers. The two presentations are to be held on Saturday, 10/8 and Sunday, 10/16.

El Camino Hospital Auxiliary
Membership Report to the Hospital Board
Meeting of October 12, 2016

Combined Data as of August 31, 2016 for Mountain View and Los Gatos Campuses

Membership Data:

Senior Members

Active Members	432	-5 relative to previous month
Dues Paid Inactive	104	(Includes Associates & Patrons)
Leave of Absence	25	
Subtotal	561	

Resigned in Month 12
Deceased in Month 0

Junior Members

Active Members	253	+9 relative to previous month
Dues Paid Inactive	0	
Leave of Absence	0	
Subtotal	253	

Total Active Members 685

Total Membership 814

Combined Auxiliary Hours from Inception (to August 31, 2016): 5,651,359
Combined Auxiliary Hours for FY2016 (to August 31, 2016): 16,270
Combined Auxiliary Hours for August 2016: 8,129

Memorandum

DATE: September 29, 2016

TO: El Camino Hospital Board of Directors

FROM: David Reeder, Hospital Board Liaison to the Foundation Board of Directors

SUBJECT: Report on Foundation Activities FY 2017 – Period 2

ACTION: For Information

El Camino Hospital Foundation advances health care through philanthropy by raising funds that support El Camino Hospital's strategic priorities, foster innovation, and support patient and family-centered care. During period 2, the Foundation secured \$155,102, bringing total FY 2017 revenue to \$3,551,540, which is 58% of the annual goal.

Upcoming Events

Please mark your calendars and plan to support one or more of the following events:

November 3, 2016 – Behavioral Health Services groundbreaking

February 2, 2017 - Norma's Literary Luncheon, benefiting women's health services and featuring Pulitzer Prize winning author Anna Quindlen

February 16, 2017 – Allied Professionals Seminar, benefiting planned giving

March 18, 2017 – Scarlet Night, benefiting the South Asian Heart Center

April 29, 2017 – Sapphire Soirée, benefiting the Cancer Center

Memorandum

DATE: September 29, 2016

TO: El Camino Hospital Board of Directors

FROM: Russ Satake, Chair, El Camino Hospital Foundation Board of Directors
Jodi Barnard, President, El Camino Hospital Foundation

SUBJECT: Report on Foundation Activities FY 2017 – Period 2

ACTION: For Information

During the month of August, the Foundation raised \$155,102, bringing fiscal year 2017 revenue to \$3,551,540, which is 58% of our goal for the year.

Major Gifts

In August, the Foundation raised \$30,000 in major gifts: a \$10,000 gift to the Behavioral Health Services building fund from a member of the BHS staff and her husband, and a \$20,000 gift to the Cancer Center.

Planned Gifts

In August, the Foundation received \$3,130 for the 2017 Allied Professionals Seminar (APS), the Foundation's annual program for estate planning professionals.

Special Events

- ***Sapphire Soirée*** – During August the Foundation received a belated donation of \$250 for Sapphire Soiree 2016. Fundraising for Sapphire Soiree 2017, which will be held at the Menlo Circus Club on April 29, has not yet commenced.
- ***El Camino Heritage Golf Tournament*** – Registration for the 21st annual El Camino Heritage Golf Tournament opened in August. The Foundation received \$37,225 in sponsorships and donations, slightly more than was received in the same period each of the last two fiscal years. The tournament will be held on October 10, 2016 at Ruby Hill Golf Club in Pleasanton. Ninety two golfers are currently registered to play.

Annual Giving

- In August, the Foundation received \$22,278 in annual donations, which is consistent with previous years. These include Hope to Health membership renewals, Circle of Caring gifts from grateful patients, responses to previously-sent direct mail appeals and newsletters, and online gifts.

ECH Foundation Fundraising Report

FY17 Income figures through August 31, 2016 (Period 2)

ACTIVITY		FY17 YTD (7/1/16 - 8/31/16)	FY17 Goals	FY17 % of Goal	Difference Period 1 & 2	FY16 YTD (7/1/15 - 8/31/15)	FY15 YTD (7/1/14 - 8/31/14)
Major Gifts		\$70,000	\$2,500,000	3%	\$30,000	\$980,000	\$15,000
Planned Gifts		\$3,255,124	\$1,000,000	326%	\$3,130	\$100,055	\$26,850
Special Events	Sapphire Soirée	\$6,750	\$850,000	1%	\$250	\$21,500	\$6,600
	Golf	\$37,225	\$325,000	11%	\$37,225	\$34,675	\$15,000
	Scarlet Night	\$2,500	\$300,000	1%		\$5,060	
	Norma's Literary Luncheon		\$145,000	0%		\$50,000	
Annual Gifts		\$34,067	\$550,000	6%	\$22,278	\$38,906	\$31,166
Grants*		-	-	-		\$26,333	\$15,250
Investment Income		\$145,874	\$500,000	29%	\$62,219	\$147,803	\$147,367
TOTALS		\$3,551,540	\$6,170,000	58%	\$155,102	\$1,404,332	\$257,233

*Beginning in FY17 Grants is no longer an activity line. Any grants received in the future will either be reflected in the Annual Gifts or Major Gifts activity line pending funding level.



El Camino Hospital® Foundation
THE HOSPITAL OF SILICON VALLEY